



Facts and Figures

Investment Market Germany
Q3 2017

“The essence of knowledge is,
having it, to apply it.”

Quote from Confucius

If you require any further information, please do not hesitate to contact us. We can put you in touch with our specialists who are always happy to provide you with expert support. We look forward to hearing from you!



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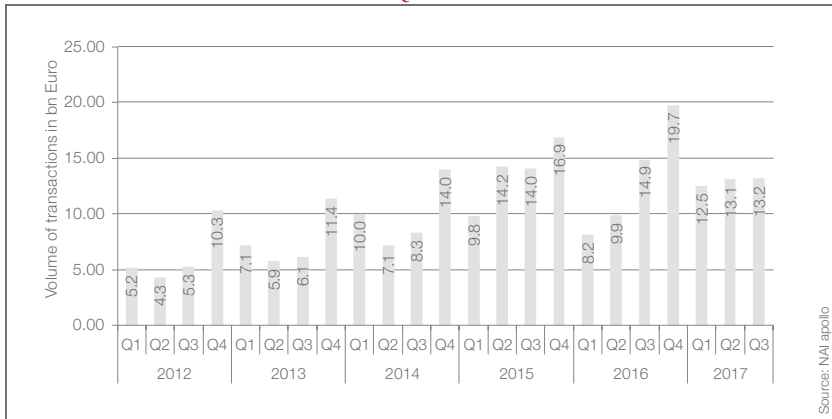
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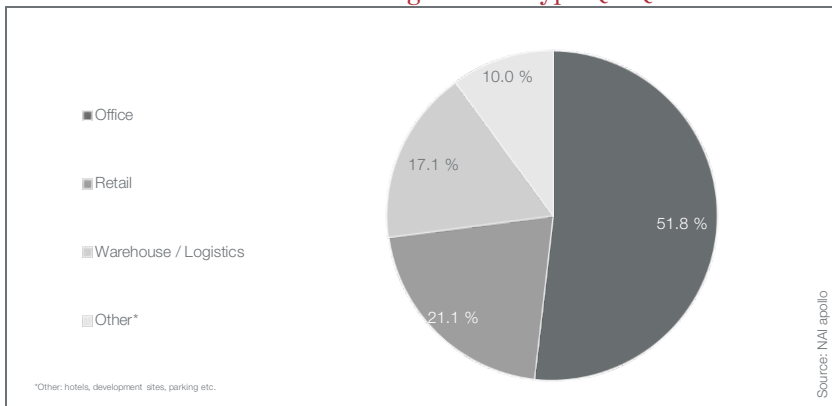
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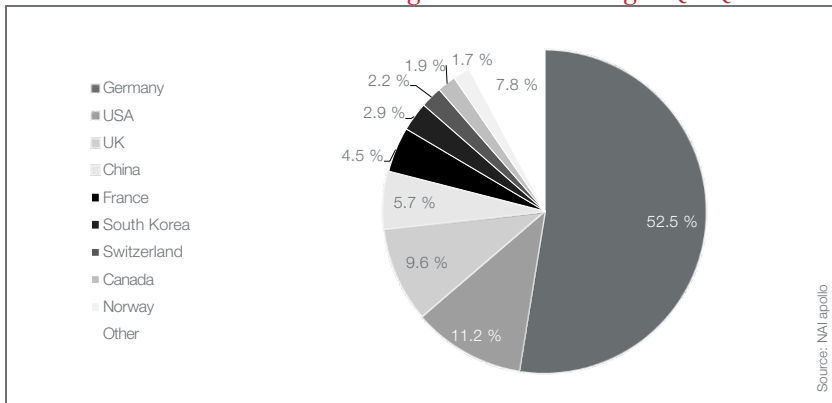
Volume of transactions 2012 – Q3 2017



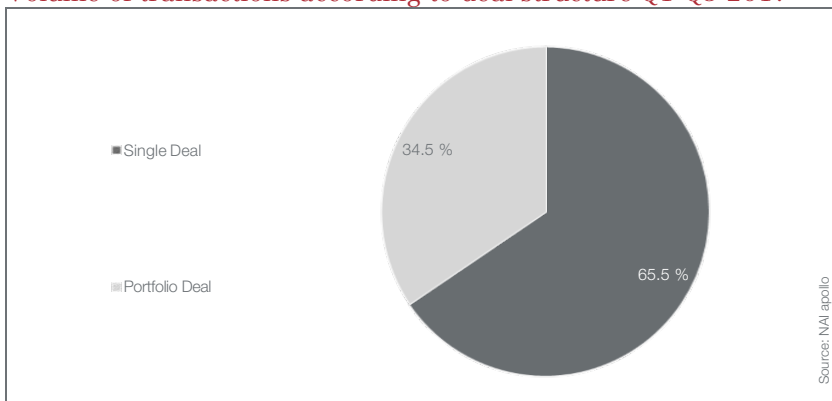
Volume of transactions according to asset type Q1-Q3 2017



Volume of transactions according to investors' origin Q1-Q3 2017



Volume of transactions according to deal structure Q1-Q3 2017

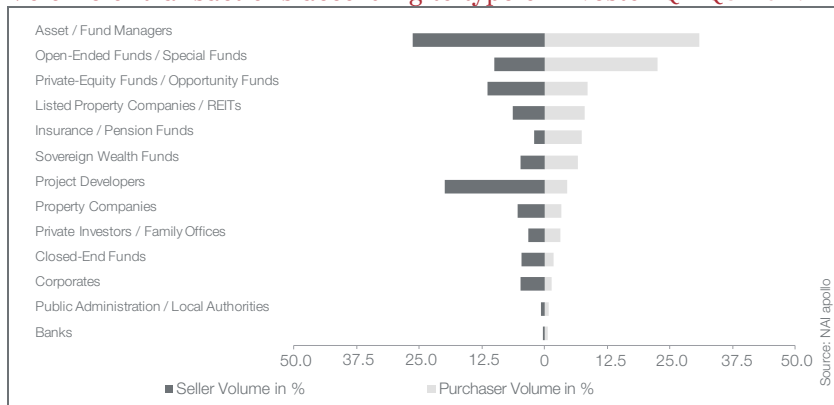


The German investment market for commercial property remains in a record-breaking mood. In the third quarter of 2017, a total sum of €13.15 billion was invested. This was almost in line with the previous quarter's level, but came in slightly below the volume recorded for the third quarter of last year. However, the total transaction volume for the first three quarters of 2017 amounted to €38.7 billion, which was 17.5 % above the previous year's figure and even slightly outperformed the first nine months of the 2015 record year. Hence the market could be on track to setting a new record in 2017.

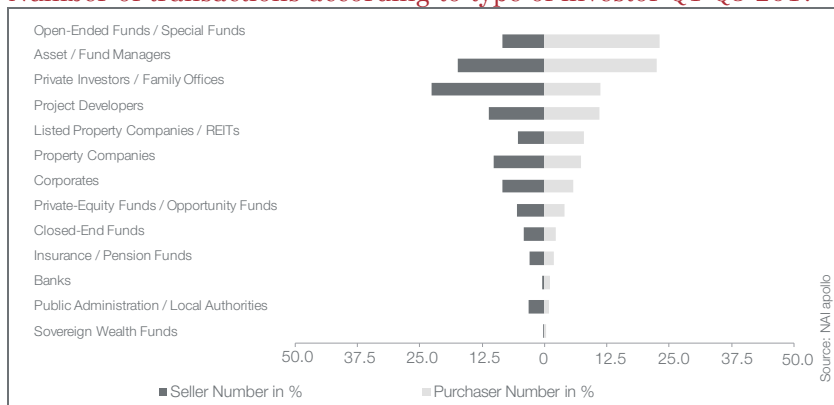
As in previous quarters, the disproportionate increase in the portfolio transaction volume was primarily responsible for the positive market development. In the first nine months of 2017, this segment accounted for a transaction volume of €13.35 billion. Compared to the corresponding period of 2016, almost €3.78 billion more was therefore allocated to portfolio deals. Individual transactions amounted to €25.38 billion, representing a year-on-year increase of 8.5 %.

Office properties reinforced their dominant position on the investment market during the third quarter of 2017, thereby increasing their share of the total market to 51.8 % (€20.07 billion) after the first nine months. Retail and logistics properties were in second and third positions respectively, with shares of 21.1 % (€8.18 billion) and 17.1 % (€6.60 billion). The logistics property asset class again achieved a new record in terms of the absolute investment volume.

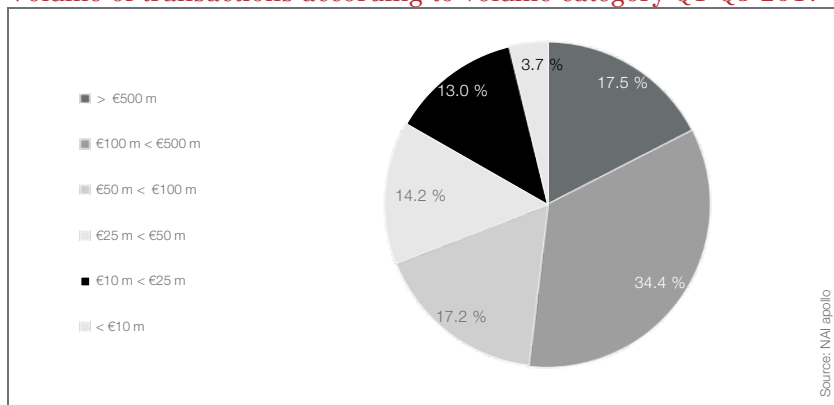
Volume of transactions according to type of investor Q1-Q3 2017



Number of transactions according to type of investor Q1-Q3 2017



Volume of transactions according to volume category Q1-Q3 2017



Prime yields Q3 2017

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	3.10 %	3.25 %	4.70 %
Dusseldorf	3.80 %	3.40 %	4.70 %
Frankfurt a. M.	3.45 %	3.45 %	4.70 %
Hamburg	3.20 %	3.30 %	4.70 %
Munich	3.10 %	2.95 %	4.65 %
Total	Ø = 3.35 %	Ø = 3.25 %	Ø = 4.70 %

Source: NAI apollo

The positive performance of the commercial property investment market within the first three quarters of 2017 is largely attributable to the increase in foreign investment activity. The invested capital rose from €12.39 billion in 2016 to €18.39 billion, representing an increase of 48.4 %. At the same time, the market share of this investor group grew from 37.6 % to 47.5 % by the end of September 2017. The most active countries were the USA (11.2 % market share), the UK (9.6 %) and China (5.7 %). German investors accounted for a sum of €20.34 billion, which meant that investments by domestic players were down slightly by 1.1 %.

In terms of the different types of investors, “asset / fund managers” as well as “open-ended funds / special funds” continued to dominate the market with shares of 30.9 % and 22.6 % respectively. While “listed property companies / REITs” saw a considerable drop in their investment volume compared to the previous year, “insurances / pension funds”, “private equity funds / opportunity funds”, as well as “sovereign wealth funds” registered noticeable increases in the transaction volume. “Asset / fund managers” (26.3 %) and “project developers” (19.9 %) were the most active groups on the sell-side.

In terms of transaction sizes, the largest increase in the number of transactions was registered in the “€500 m-plus” segment with a rise of 106.4 %. In contrast, the “€100 m < €500 m” segment recorded the highest investment volume of €13.33 billion. In the “below €10 m” segment, the investment volume fell by 15.8 % to €1.45 billion.

Selected commercial transactions Q1-Q3 2017

Logicor-Portfolio (German-part)	
Purchaser	CIC
Purchase Price (ca.)	€2,000,000,000
Asset Type	Logistics
Office-Portfolio	
Purchaser	Intown Invest
Purchase Price (ca.)	€1,200,000,000
Asset Type	Office
Sony Center	
Purchaser	Oxford Properties / Madison Intern. Realty
Purchase Price (ca.)	€1,100,000,000
Asset Type	Office, Retail, Residential
Hansteen-Portfolio (German-part)	
Purchaser	Blackstone / M7
Purchase Price (ca.)	€974,000,000
Asset Type	Logistics
Retail-Portfolio	
Purchaser	BVK
Purchase Price (ca.)	€687,000,000
Asset Type	Retail
Gramercy-Portfolio (German-part)	
Purchaser	AXA IM
Purchase Price (ca.)	€465,000,000
Asset Type	Logistics
Geneba (German-part)	
Purchaser	Frasers Centrepoint (FCL)
Purchase Price (ca.)	€430,000,000
Asset Type	Logistics
Axel-Springer development, Berlin	
Purchaser	Norges
Purchase Price (ca.)	€425,000,000
Asset Type	Office
Retail-Portfolio	
Purchaser	Patrizia
Purchase Price (ca.)	€400,000,000
Asset Type	Retail
Axel-Springer-Passage, Berlin	
Purchaser	Blackstone / Quincap Investment Partners
Purchase Price (ca.)	€330,000,000
Asset Type	Office

Source: NAI apollo

The strong demand on the German commercial property investment market caused further yield compression in the third quarter of 2017. The sharpest decrease in the average prime yield for the top 5 markets took place in the logistics property segment, with a drop of 10 basis points. In the office property segment, the average prime yield fell by 7 basis points. Yield compression was marginally less pronounced in the retail property segment, with a decline of 5 basis points.

The top 5 logistics markets all recorded a 10-basis-point decline in prime yields in the third quarter of 2017. Munich remained the most expensive logistics location in Germany with a prime yield of 4.65 %. In the other top 5 locations, the prime yield stands at 4.70 %.

In the office property asset class, the sharpest declines were registered in Dusseldorf (3.80 %) and Berlin (3.10 %), with a drop of 0.10 %-points apiece. In Berlin in particular, yields clearly reflected the exceptional situation on the office market. In Munich, Frankfurt and Hamburg, prime yields fell by 5 basis points over the last three months and now stand at 3.10 %, 3.45 %, and 3.20 % respectively. This trend is expected to continue into the fourth quarter of 2017, and it is highly likely that yields in Berlin and Munich will fall below 3 % in the next three months.

In the retail property segment, all top 5 markets experienced a 0.05 %-point decline in the prime yield. Prime yields for retail buildings now stand at 3.25 % in Berlin, 3.40 % in Dusseldorf, 3.45 % in Frankfurt, 3.30 % in Hamburg and 2.95 % in Munich.

Following the market's very strong performance in the first nine months of 2017, transaction activity is expected to remain buoyant in the fourth quarter. Interest from both foreign and German investors will continue to rise in the coming three months. This will also contribute to a further yield compression. In addition, some prominent large properties and portfolios will change hands in the fourth quarter of 2017. For 2017 as a whole, NAI apollo therefore expects the transaction volume for the commercial property investment market to reach €55 billion, which would be in line with the previous record of 2015.

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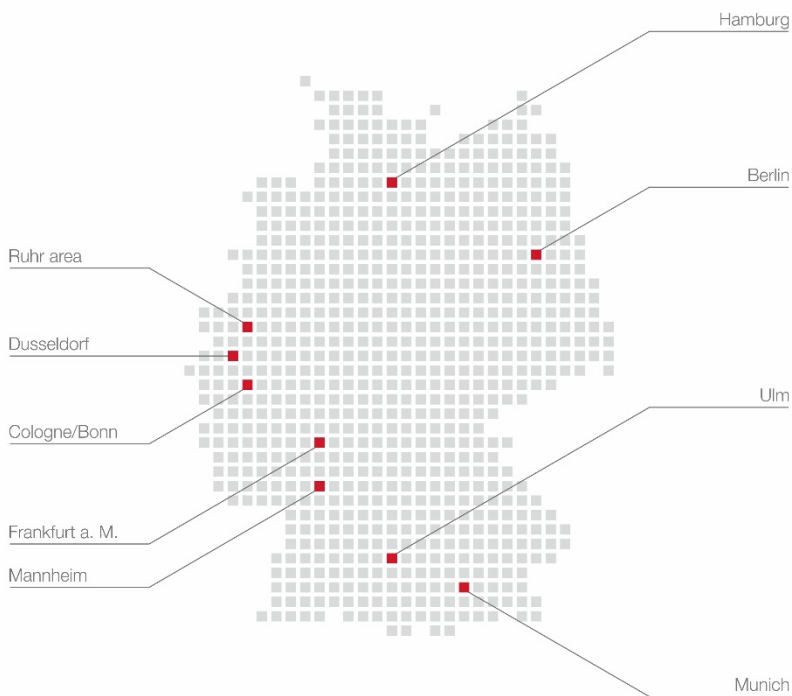
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