Facts and Figures

Investment Market Germany
Q1 2021

“Progress depends on the exchange of knowledge.“

Quote from Albert Einstein

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!

Dr. Konrad Kanzler
Head of Research
+ 49 (0) 69 – 970 505-614
konrad.kanzler@nai-apollo.de

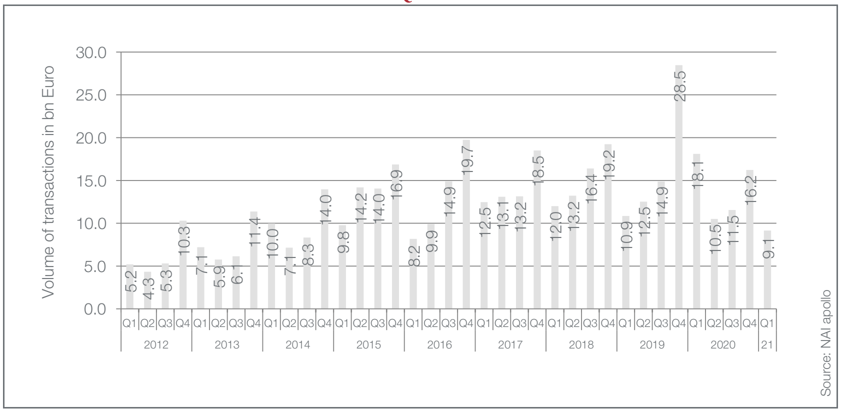
Dr. Marcel Crommen
Chief Investment Officer
+ 49 (0) 69 – 970 505-143
marcel.crommen@nai-apollo.de

Lenny Lemler
Director Investment
+ 49 (0) 69 – 970 505-175
lenny.lemler@nai-apollo.de

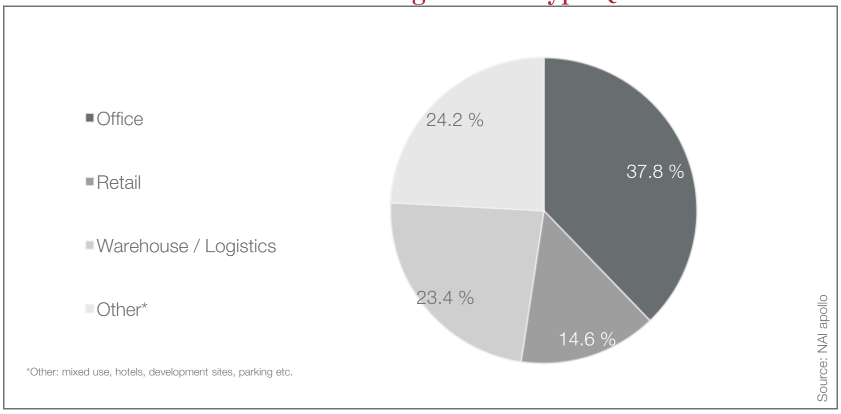
Alexander Waldmann
Associate Director – Research
+ 49 (0) 69 – 970 505-618
alexander.waldmann@nai-apollo.de

NAI apollo

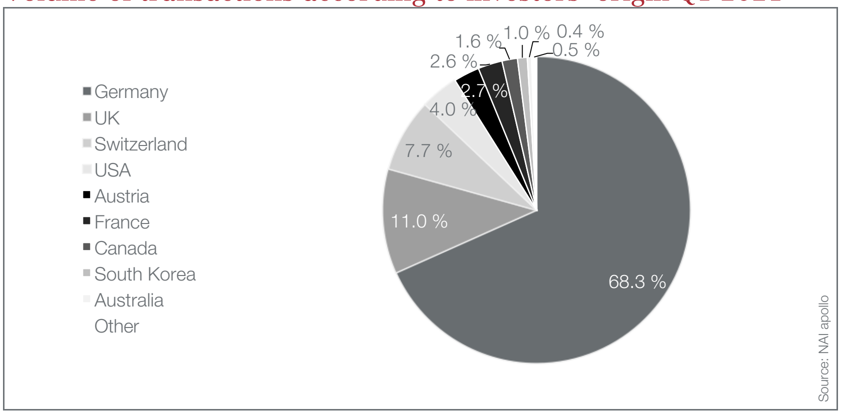
Volume of transactions 2012 – Q1 2021



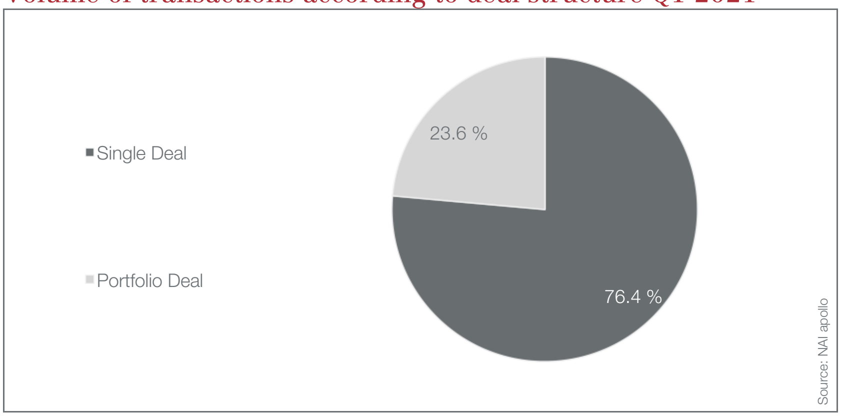
Volume of transactions according to asset type Q1 2021



Volume of transactions according to investors' origin Q1 2021



Volume of transactions according to deal structure Q1 2021

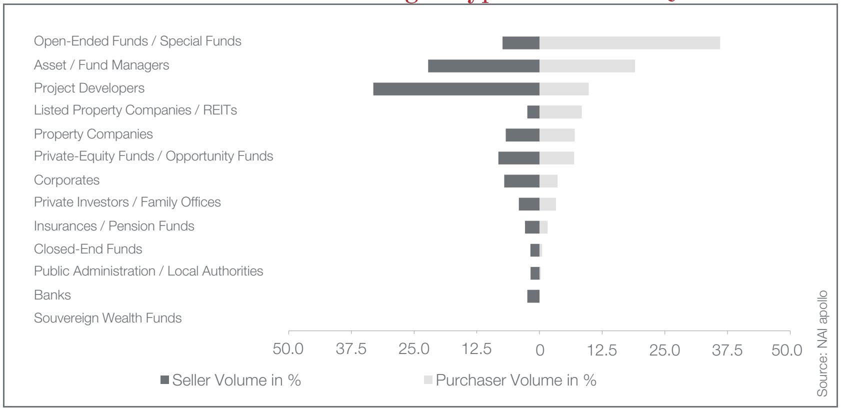


As expected, the German investment market for commercial property got off to a slow start in 2021. This was partly owing to the rather sluggish vaccination progress and increasing infection rates, while the lockdown that has been in place since November 2020 also affected market activity. As a consequence, investments on the German commercial property market amounted to only €9.1 billion in the first three months of 2021. This volume is 49.5 % below the year-ago figure as well as more than a quarter less than the first-quarter average for the last five years (Q1 2016 – Q1 2020: around €12.3 billion).

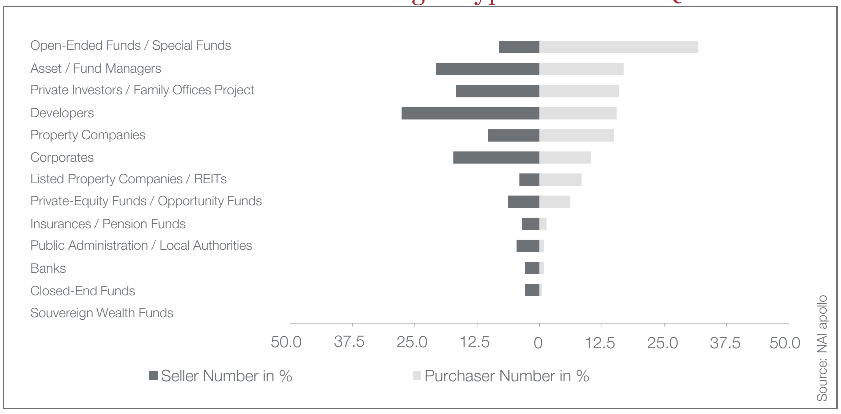
The market was primarily influenced by single-asset transactions, which accounted for around €7.0 billion. Although this reflects a 28.8 % decline compared to the previous year, it is below the relative decrease of the overall market. Properties sold for three-digit-million sums include the mixed-used district centre Zehlendorfer Welle and the historic Postbahnhof at Ostbahnhof, both of which are located in Berlin. In addition, Demire acquired a 50 % share in the Frankfurt office complex Cielo. Other deals above €100 million included the purchase of a majority stake in the former Mutschler-Center in Neu-Ulm by Austrian investors Hallmann Holding.

The portfolio volume fell by 74 % year-on-year in the first three months of 2021. The total sum amounted to almost €2.2 billion, representing 23.6 % of the overall volume. Worth noting here are the sale of the Altas portfolio including 27 care homes by Threestones to Swiss Life for €425 million; and the acquisition by Tritax Eurobox of two new logistics facilities developed by Dietz for €291 million.

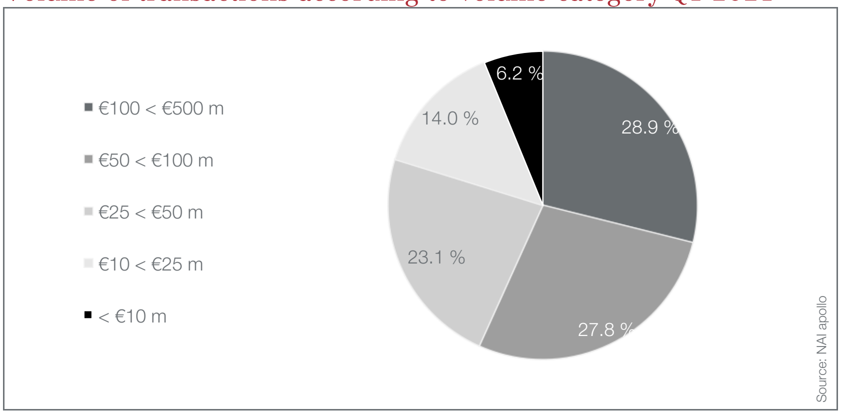
Volume of transactions according to type of investor Q1 2021



Number of transactions according to type of investor Q1 2021



Volume of transactions according to volume category Q1 2021



Prime yields Q1 2021

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	2.60 %	2.90 %	3.40 %
Dusseldorf	3.00 %	3.25 %	3.45 %
Frankfurt a. M.	2.80 %	3.15 %	3.40 %
Hamburg	2.80 %	3.10 %	3.40 %
Munich	2.65 %	2.90 %	3.35 %
Total	Ø = 2.80%	Ø = 3.05%	Ø = 3.40%

Source: NAI apollo

Office property again emerged as the most requested asset class in the first quarter of 2021, even though there has so far been a complete absence of deals over €250 million. A total of €3.46 billion was invested here, representing a share of 37.8 %. Compared to the previous year, the volume has declined by 57.8 %. Warehouse and logistics properties were in second place with an investment volume of €2.1 billion. The absolute result was unchanged from the previous year, but the corresponding market share rose to 23.4 %. Retail property generated €1.3 billion in the first three months of 2021, primarily because of the popularity of food-anchored retail formats. The transaction volume fell by more than 70 %. "Other uses" accounted for a combined €2.2 billion. Here, hotels generated €450 million, which was more than 60 % lower compared to the first quarter of 2020.

The partial imposition of travel restrictions has opened up more opportunities for domestic investors. As a result, local players increased their market share from 48.8 % last year to 68.3 %. However, the domestic investment volume was almost €2.6 billion lower at €6.2 billion. At the same time, foreign investments fell significantly by €6.4 billion to around €2.9 billion compared to the first quarter of 2020. Significant shares of foreign capital originated from the United Kingdom, the United States, Switzerland, Austria and France.

"Open-ended funds / special funds" and "asset / fund managers" remained the most active types of investors at the beginning of 2021, accounting for market shares of 36.0 % and 19.1 % respectively. Next were "project developers / contractors" and "listed property companies / REITs". "Project developers / contractors" accounted for almost a third of sales.

Given the absence of large portfolio deals or sales of landmark buildings, no transactions were registered in the ">€500m" cluster. The next biggest size categories, "€100m < €500m" and "€50m < €100m", accounted for similar volumes and registered market shares of 28.9 % and 27.8 % respectively.

The economic situation in Germany is still linked to the development of the coronavirus pandemic and the measures to contain it. As a consequence, economic growth was still hampered by various measures in the first quarter of 2021. Nonetheless, in its "Economic Forecast March 2021", the German Council of Economic Experts is still predicting GDP growth of 3.1 % for the current year, adjusted for price and calendar changes. For 2022, it is even anticipated that GDP will rise by 4.1 %. The rate of unemployment is likely to remain at 2020 levels for the time being, and only fall noticeably to 5.3 % in 2022. Accordingly, the number of people in employment will also not recover before next year, and should then rise above 45 million again.

There was no change in prime yields in any of the asset classes in the top markets over the past three months. Price rises were prevented by the reduced number of traded properties and transactions on the one hand, and the somewhat limited group of investors on the other. As the economy and the transaction market return to normal, yield compression is likely to apply again in individual locations and asset classes.

Within the warehouse / logistics property asset class, Munich continues to show the lowest prime yield at 3.35 %. The rates in Berlin, Frankfurt and Hamburg are also still quoted at 3.40 %. In Dusseldorf, the prime yield is 3.45 %. This means that prime yields for warehouse and logistics properties within the top five markets are 35 basis points below the previous year's level.

When it comes to office properties, Berlin is still the most expensive location with a prime yield of 2.60 %. Munich is next with 2.65 %, followed by Frankfurt and Hamburg with unchanged rates of 2.80 % in both cases. In Dusseldorf, the yield is 3.00 %. This indicates that prime yields in the top five office markets are 5 to 10 points below the values registered in the first quarter of 2020.

Prime yields for high street buildings also remained stable in the first quarter of 2021, after registering an increase during 2020. Prime yields for high street properties in the top five markets were unchanged at 2.90 % in Berlin and Munich, 3.10 % in Hamburg, 3.15 % in Frankfurt and 3.25 % in Dusseldorf.

In the event of an economic recovery in the second half of 2021, and a correspondingly more confident assessment by investors of future underlying conditions, the investment market for commercial property should show a significantly more positive development as the year progresses. We also expect to see an increased number of potential properties for sale that can be marketed in a timely manner. Investor demand remains high, especially in the areas of core office properties, food-anchored retail properties, and logistics properties. As a result, a transaction volume in the region of €50 billion is seen as a realistic forecast for the commercial property investment market this year. This would then be above the average for the last ten years of €46.8 billion.

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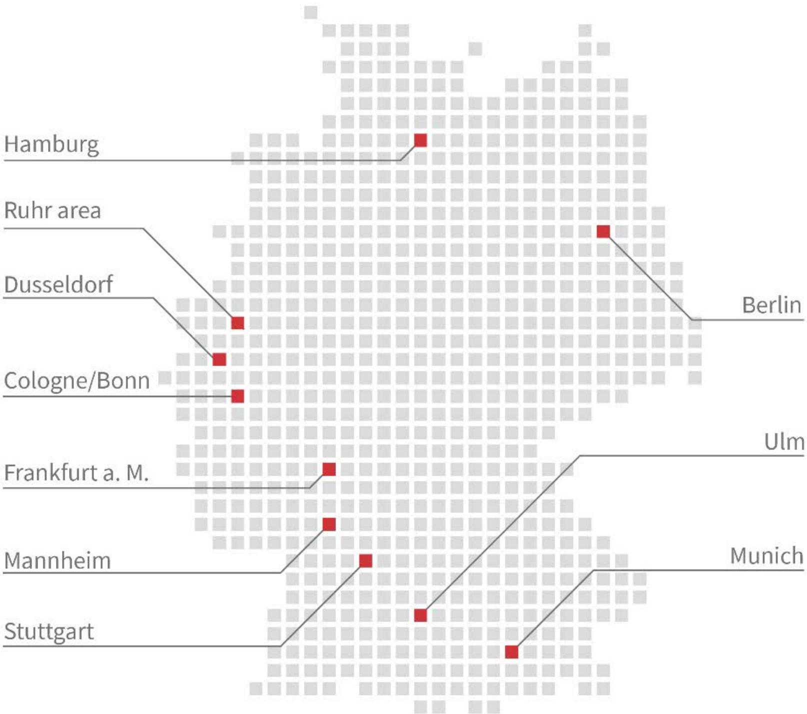

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