



Facts and Figures

Investment Market Germany
Q1 2023

“The next best thing to knowing something is knowing where to find it.”

Quote from Samuel Johnson

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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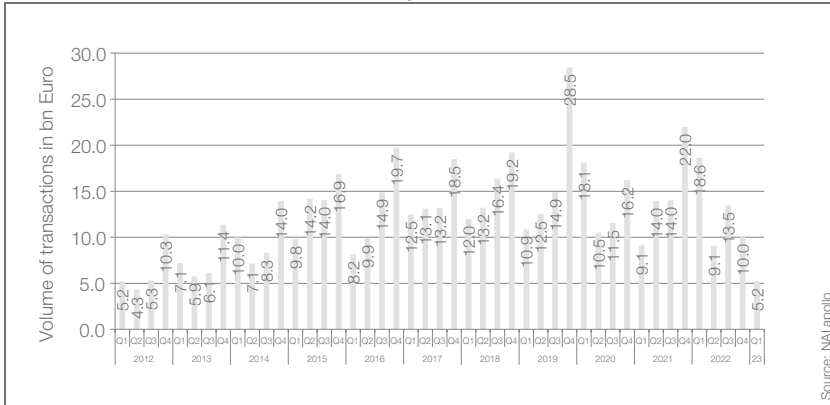
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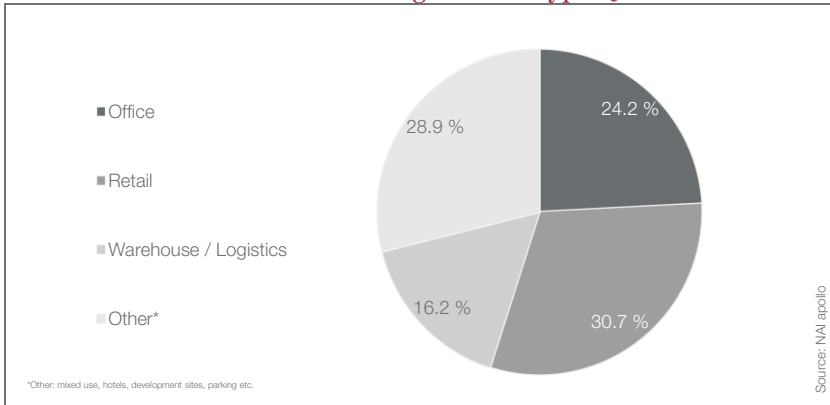


Volume of transactions 2012 – Q1 2023



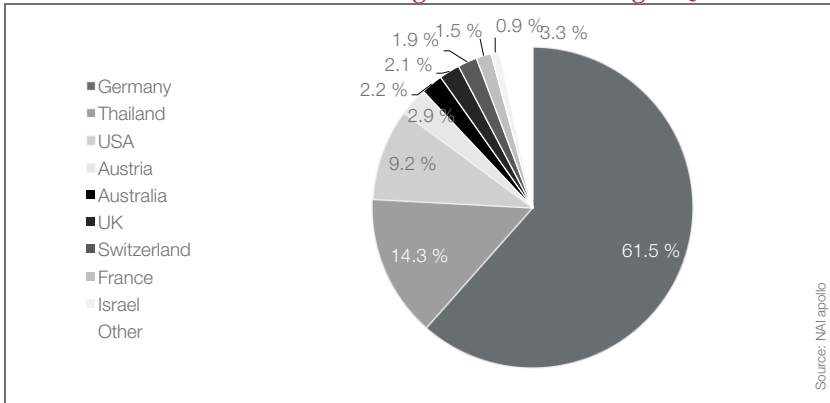
In the first quarter of 2023, the German commercial property investment market remained in freefall owing to the hike in interest rates that in turn was triggered by the war in Ukraine and record inflation. As a result, buyers and sellers are still unable to find common ground and the pricing process remains in full swing. Accordingly, there was a significant collapse in transaction activity in the first three months of 2023. In total, just €5.22 billion was invested in commercial property, marking the worst quarter since 2012. The recent result is also 72 % below the previous year’s figure and 62 % lower than the five-year average for first quarters (Q1 2018 - Q1 2022).

Volume of transactions according to asset type Q1 2023



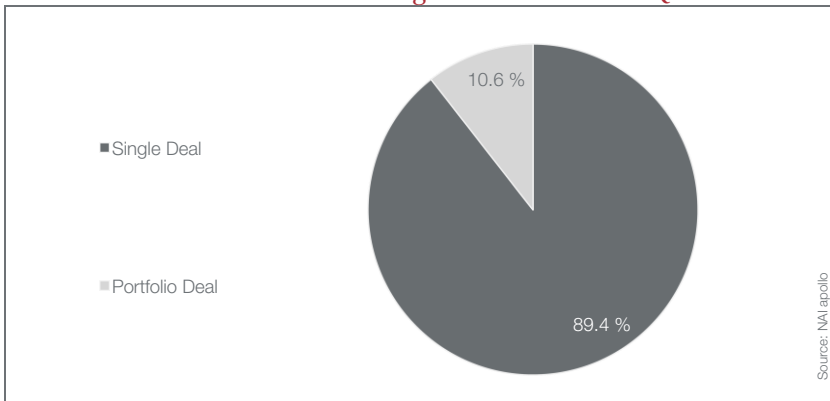
In particular, portfolio transactions have declined rapidly, plummeting from €8.6 billion in the first quarter of 2022, which was mainly owing to the Alstria acquisition, to €0.55 billion. This corresponds to a decline of almost 94 % compared to the previous year. The single-asset transaction volume halved from around €10 billion to €4.67 billion. This reflects a significant reduction in the size of each deal in addition to the fact that the actual number of deals was lower.

Volume of transactions according to investors' origin Q1 2023

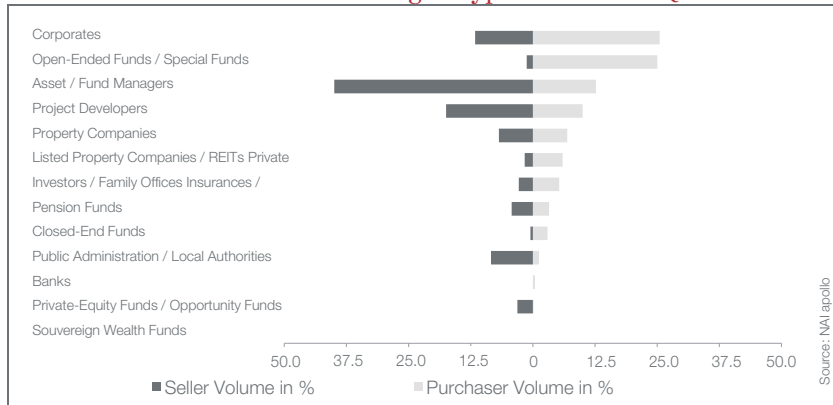


The largest deal within the first quarter of 2023 involved the partial takeover of KaDeWe in Berlin by the Thai Harg Central Department Store Ltd, owned by the Central Group. This sale contributed a three-digit million amount to the overall volume. Also included in the retail segment is Deutsche EuroShop’s three-digit million investment in six shopping centres.

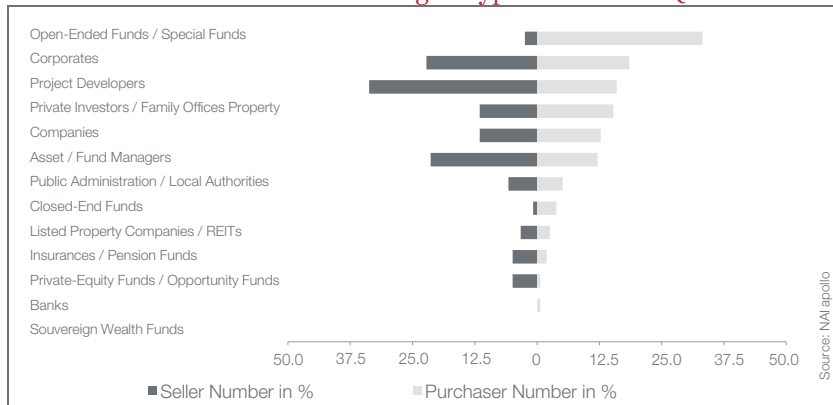
Volume of transactions according to deal structure Q1 2023



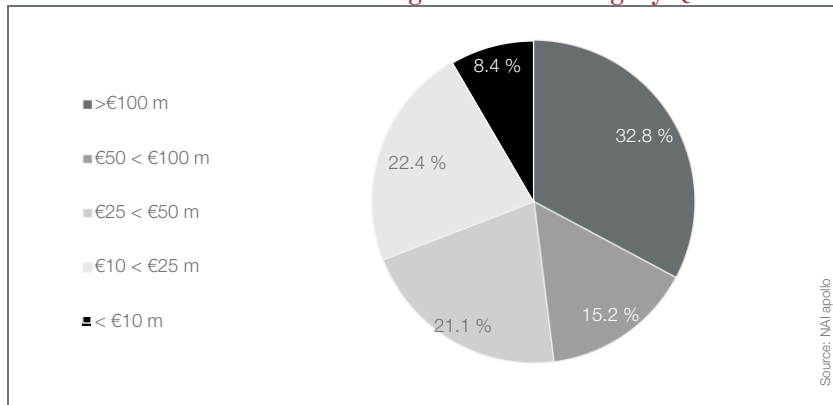
Volume of transactions according to type of investor Q1 2023



Number of transactions according to type of investor Q1 2023



Volume of transactions according to volume category Q1 2023



Prime yields Q1 2023

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	3.70 %	3.75 %	3.95 %
Dusseldorf	3.85 %	3.90 %	3.95 %
Frankfurt a. M.	3.75 %	3.85 %	3.95 %
Hamburg	3.75 %	3.85 %	3.95 %
Munich	3.70 %	3.75 %	3.95 %
Total	Ø = 3.75 %	Ø = 3.80 %	Ø = 3.95 %

Owing to the major deals mentioned above, the retail property asset class was responsible for the highest transaction volume. A total of €1.60 billion was invested here in the first quarter of 2023, which corresponds to a market share of 30.7 %. At the same time, this asset class registered the smallest decline compared to the previous year (-25.4 % y-o-y). Office properties accounted for a total of only €1.26 billion, a decline of 88.1 %. The third-placed warehouse and logistics segment registered investments of €0.84 billion (16.2 % market share), which was 78.3 % lower than the first three months of the previous year. “Other uses” generated a transaction volume of €1.51 billion. This includes health care properties, commercial development sites and hotels. The latter accounted for just under €0.22 billion, a 53.2 % decline compared to the previous year.

Foreign investors exercised greater restraint at the beginning of 2023 compared to last year. They invested 75.4 % less than a year previously and were responsible for a total transaction volume of around €2 billion. The most active nations included Thailand, the USA, Austria and Australia. Domestic players invested around €3.2 billion in German commercial property in the first quarter of 2023, and the decline in the transactions volume was less pronounced than for foreign investors at 58.0 %. This means that German investors again accounted for the bulk of market activity at 61.5 %.

Among the investor types, “corporates” stood out with a transaction volume of €1.33 billion, in part owing to the largest transaction in the year to date. The otherwise dominant “open-ended funds / special funds” and “asset / fund managers” followed with a total of almost €2 billion. On the seller side, “asset / fund managers”, “project developers” and “corporates” stood out.

All size categories (in terms of transaction volume) registered noticeable decreases, although this was much more pronounced in the larger clusters. For example, investments in deals “above €100m” were 84.7 % lower than in the same quarter of the previous year, again partly as a consequence of the Alstria takeover in the previous year. The “€50m-€100m” segment saw a decline of around two-thirds, while around 40 % less was invested in the segment below €25 million.

Although the macroeconomic environment remains challenging, Germany is still in an economically stable position. The unemployment rate as of March 2023 was 5.7 %, which is stable compared to the two previous months. At the same time, the current rate is 0.4 percentage points higher compared to the average figure for 2022 (5.3 %). The number of people in employment increased by around 424,000 or 0.9 % year-on-year to 45.837 million according to the latest available information from February 2023. The fact that the outlook for the overall economic development is no longer as negative as had been assumed in previous months is also reflected in the latest economic forecast of the German Council of Economic Experts. The forecast from March 2023 anticipates slight growth of 0.2 % in Germany’s gross domestic product for the current year. In 2024, this is expected to rise to 1.3 %, accompanied by a decline in the unemployment rate in Germany to 5.2 % by the end of next year. At the same time, the forecast predicts a slow decline in the inflation rate, which is likely to remain elevated and above the ECB’s inflation target at 6.6 % in 2023 and 3.0 % in 2024.

In line with the ECB’s key interest rate increases and the rising yields on 10-year German government bonds, prime yields for commercial properties have also continued to rise. On average, prime office yields in the top 5 markets grew by 25 basis points in the past three months to 3.75 %. For high street properties, the average increase in the top 5 cities was around 10 basis points to 3.80 %, and for logistics properties there was an increase of 10 basis points to 3.95 %.

Among the top 5 office locations, Berlin and Munich are still the most expensive markets with a prime yield of 3.70 % each, although the distance to other markets has narrowed compared to the previous year. Frankfurt and Hamburg are next with 3.75 % apiece. In Dusseldorf, the prime yield for office properties stood at 3.85 % at the end of the first quarter. All top 5 markets each experienced a yield increase of 0.25 percentage points compared to the beginning of the year.

For high street properties, yield increases of 20 basis points were recorded in Berlin and Munich and 10 basis points in the remaining top 5 markets. Thus, the prime yields at the end of the first quarter amounted to 3.75 % in Berlin and Munich, 3.85 % in Frankfurt and Hamburg and 3.90 % in Dusseldorf.

The prime yield for warehouse and logistics properties has risen by between 0.10 % and 0.15 % points, which means that it now stands at 3.95 % in all top 5 cities.

A market equilibrium has still yet to be attained between sellers and buyers. Fuelled by the ongoing uncertainty about interest rate policy, property prices remain under pressure, which in turn pushes up yields. Any improvement can only be expected when interest rate trends become more predictable and the market begins to stabilise. Thus the transaction market faces a challenging and somewhat mixed situation in 2023. In this respect, a transaction volume around the levels seen in 2011-2013 currently appears to be the most likely scenario.

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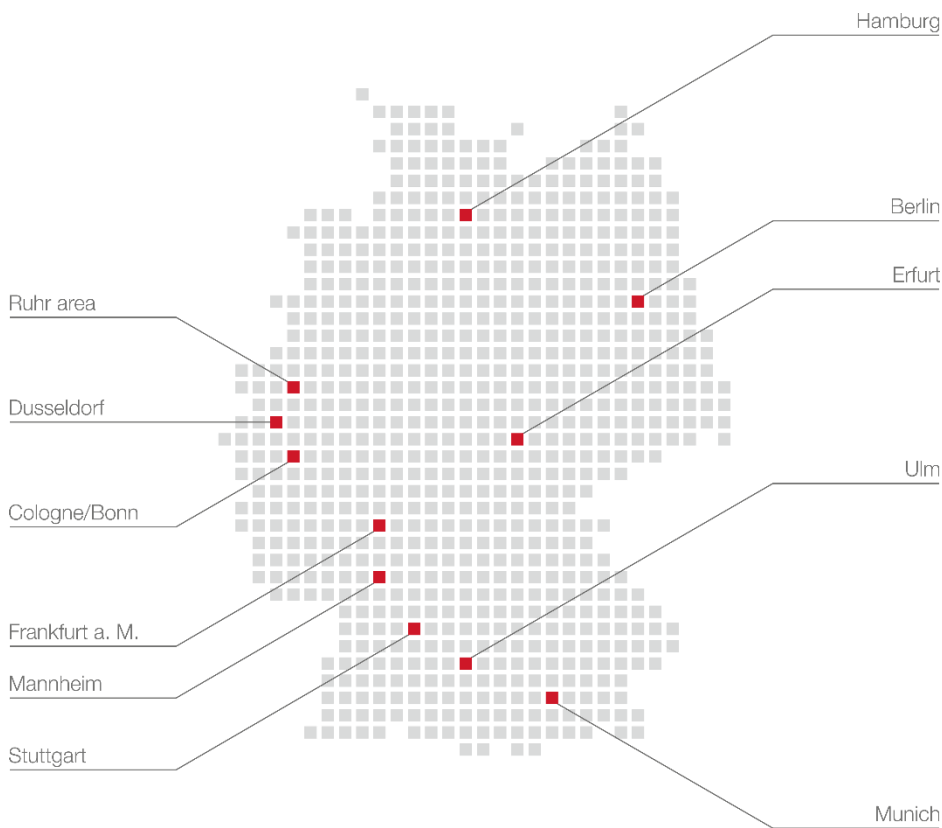
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