Facts and Figures

Investment Market Germany
Q1 2024

“The best way of obtaining information is to provide some in the first place.“

Quote from Niccoló Machiavelli

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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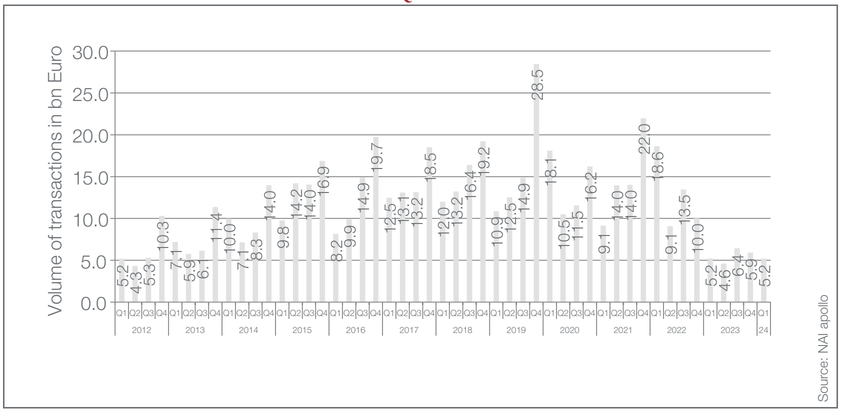
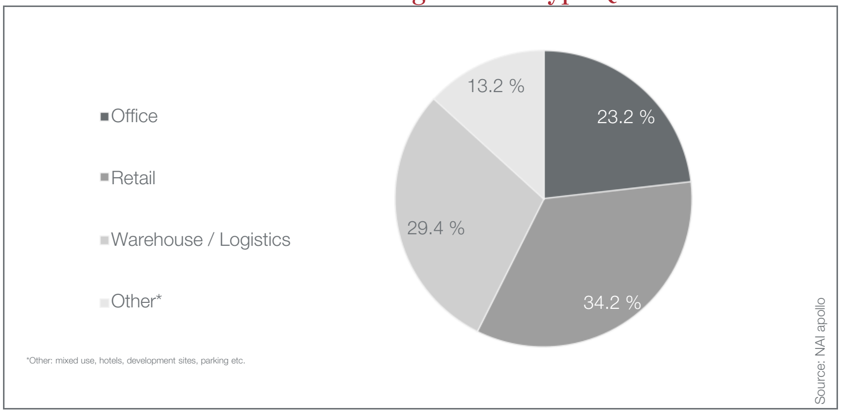
NAI apollo

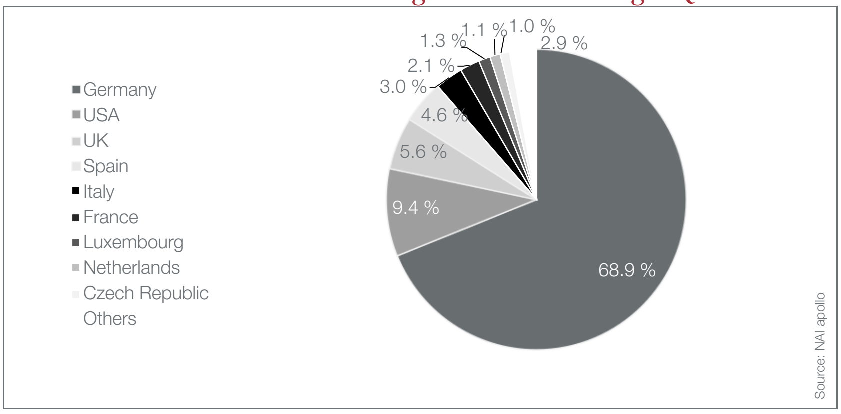
Volume of transactions 2012 – Q1 2024



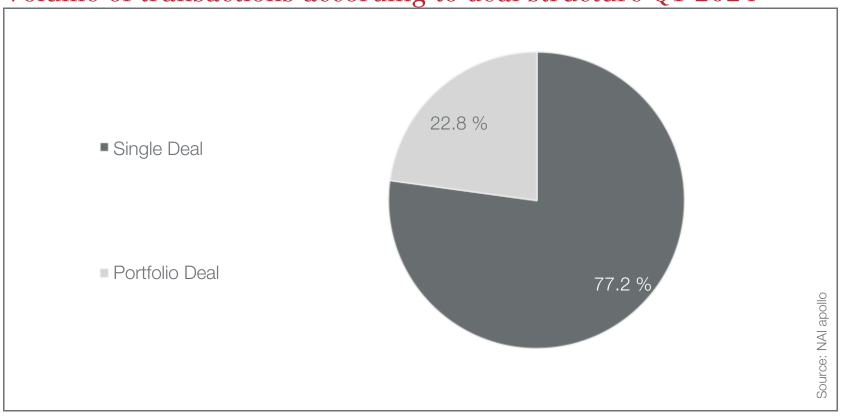
Volume of transactions according to asset type Q1 2024



Volume of transactions according to investors‘ origin Q1 2024



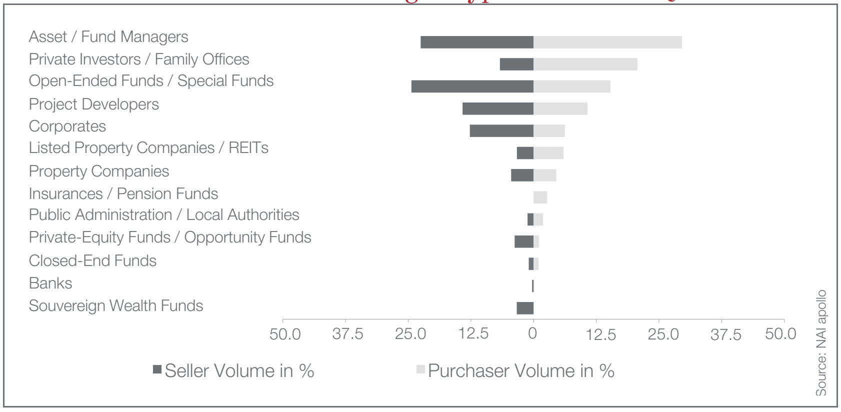
Volume of transactions according to deal structure Q1 2024



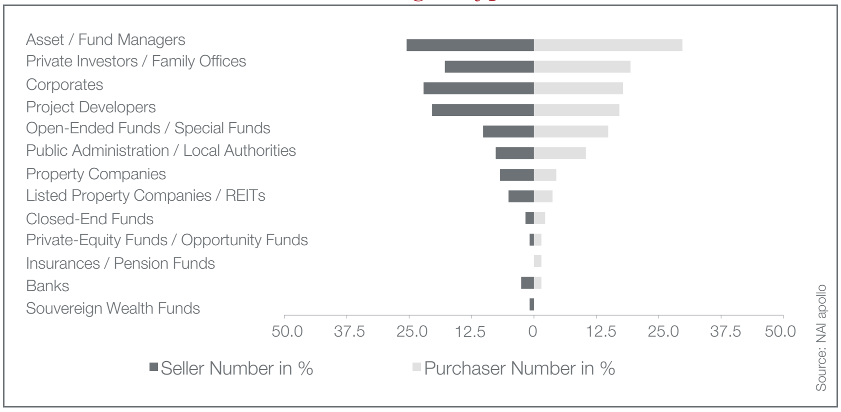
The German commercial property investment market showed stronger signs of stabilisation in the first quarter of 2024. Commercial property investments amounted to €5.2 billion, which was in line with the previous year (Q1 2023: €5.2 billion). Indications are that the turning point may have been reached, heralding the start of a slow recovery. Although the ECB is highly unlikely to cut interest rates before June 2024, buyers at least have greater planning certainty in terms of how interest rates will develop. On the seller side, an increasing number of investors are adapting to the current price level and exploring potential sales. The marketing pipeline is expanding in both the single-asset and portfolio segments.

On a positive note, the latest result was driven not only by single-asset sales, but also by portfolio transactions. Accordingly, the portfolio volume more than doubled compared to the first quarter of 2023, totalling around €1.2 billion. Logistics property portfolio sales in particular underpinned the overall result. Here, transactions included the sale of a 90 % share in five logistic portfolios to LaSalle IM for more than €300 million, as well as the acquisition of a portfolio with eight logistics properties by Clarion Partners Europe, six of which are located in Germany. In the retail segment, Ores Germany secured a portfolio of supermarkets and DIY stores for €200 million. Single-asset transactions accounted for more than €4 billion, which is around 14 % below the previous year. The ‘Fünf Höfe’ and ‘12-14 Maximilianstrasse’ high-street properties in Munich played a dominant role here with purchase prices in the three-digit million euro range in each case.

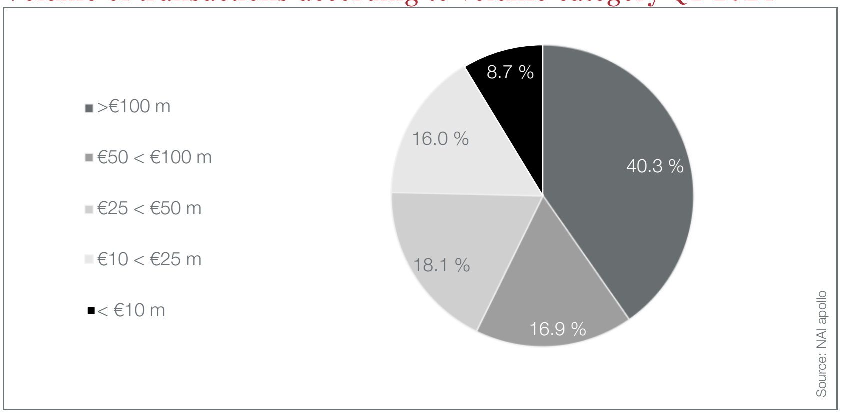
Volume of transactions according to type of investor Q1 2024



Number of transactions according to type of investor Q1 2024



Volume of transactions according to volume category Q1 2024



Prime yields Q1 2024

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	4.40 %	4.15 %	4.40 %
Dusseldorf	4.50 %	4.30 %	4.40 %
Frankfurt a. M.	4.50 %	4.30 %	4.40 %
Hamburg	4.45 %	4.25 %	4.40 %
Munich	4.40 %	4.10 %	4.40 %
Total	Ø = 4.45 %	Ø = 4.20 %	Ø = 4.40 %

Source: NAI apollo

The retail segment recorded the highest investment revenue of €1.78 billion, largely owing to the aforementioned retail transactions. This represents an increase of around 11 % compared to the previous year. Next were storage and logistics properties, which recorded a volume of €1.53 billion owing to a high proportion of portfolios. The year-on-year increase in this asset class was 81.4 %. Office properties, on the other hand, recorded a small year-on-year decline with a transaction volume of €1.21 billion.

This reflects the ongoing trend whereby investors often refrain from investing in office property because of the economic development and structural changes (e.g. ESG, home working, etc.). 'Other use' accounted for a total volume of €0.7 billion', of which €0.25 billion applies to hotels – a figure that is slightly above the previous year's level (Q1 2023: €0.22 billion).

As in the previous quarters, German investors dominated transaction activity on the domestic commercial property market and even slightly increased their market share compared to the previous year. They invested €3.59 billion, which was almost €400 million higher than Q1 2023. Foreign players accordingly lost ground and were responsible for a total of around €1.62 billion. Countries such as the USA and the UK stand out, where a lot of capital is currently being raised for anti-cyclical investments in Germany. However, countries such as Spain, Italy and France also have significant market shares.

Among the investor types, ‘private investors/family offices’ were the most active buyers in the first quarter of 2024 alongside the ‘asset/fund managers’ group. Both groups invested above €1 billion. They are followed by ‘open-ended property funds/special funds’, ‘project developers’ and ‘corporates’. On the seller side, ‘open-ended property funds/special funds’ and ‘asset/fund managers’ formed the dominant groups.

The market share of deals above €100 million increased to above 40 % again as a result of the higher number of portfolios and the sale of some large high-street properties. In addition, the €50m-€100m and sub-€10m clusters recorded slight gains in market share compared to last year.

The economic indicators for Germany have been mixed in the first few months of 2024. At 6.0 % in March 2024, the current unemployment rate is 0.3 percentage points higher than the previous year’s figure. A further increase is very likely in view of the macroeconomic development in Germany. The German government is forecasting marginal GDP growth of 0.2 % for 2024 as a whole, while leading research institutes expect to see a period of economic stagnation. Although inflation is providing positive impetus – in Germany, it stood at 2.2 % in March 2024, the lowest figure since April 2021 – consumers are extremely cautious with their spending. Accordingly, domestic consumption is still unlikely to act as an economic pillar. However, business sentiment appears to have improved slightly of late. As of March 2024, the ifo Business Climate Index rose to 87.8 points, compared to 85.7 points in February. In particular, companies were less pessimistic about their future situation with an index of 87.5 points, which represents the highest level in the last ten months.

The expected interest rate cut by the ECB in June 2024 should have a positive effect on both the economy and the property industry. Anticipated cuts are already priced into the current borrowing costs for property. It can therefore be assumed that borrowing costs will remain at the current level in the short to medium term. This increases planning security for investments.

In combination with price adjustments, this meant that prime yields in the top five markets remained unchanged within the first quarter of 2024.

In turn, the spread between the asset classes and the risk-free interest rate in the form of public sector bonds with a remaining term of up to 10 years is 160 to 200 basis points.

The average prime yield in the top five office markets was 4.45 % in the first quarter of 2024, which means it has risen by 70 basis points in the last 12 months. Berlin and Munich have the lowest prime yields at 4.40 %, followed by Hamburg with 4.45 % and Dusseldorf and Frankfurt with 4.50 % each.

In the logistics property segment, the average yield in the top markets is 4.40 %, an increase of 45 basis points compared to the first quarter of 2023. The yield level in all top five markets currently stands at 4.40 %.

For high-street properties, the average prime yield for the top five markets is 4.20 %. Compared to the first quarter of 2023, this represents an increase of 40 basis points. Within the top markets, prime yields range from 4.10 % in Munich to 4.30 % in Dusseldorf and Frankfurt.

Lower price expectations on the part of potential sellers, and the accompanying acceptance to sell assets at current market prices, will allow the sales pipeline to grow. At the same time, we are likely to see distressed sales as a result of insolvencies or pending refinancing this year as well as an increased supply of properties in need of restructuring that owners are unwilling or unable to deal with. All of this is likely to lead to greater investment momentum, which means that a total transaction volume of up to €25 billion can currently be forecast for 2024.

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