Facts and Figures

Investment Market Germany
Q1 2017

“To know things well, we must know them in detail.“

Quote from François VI. Duc de La Rochefoucauld

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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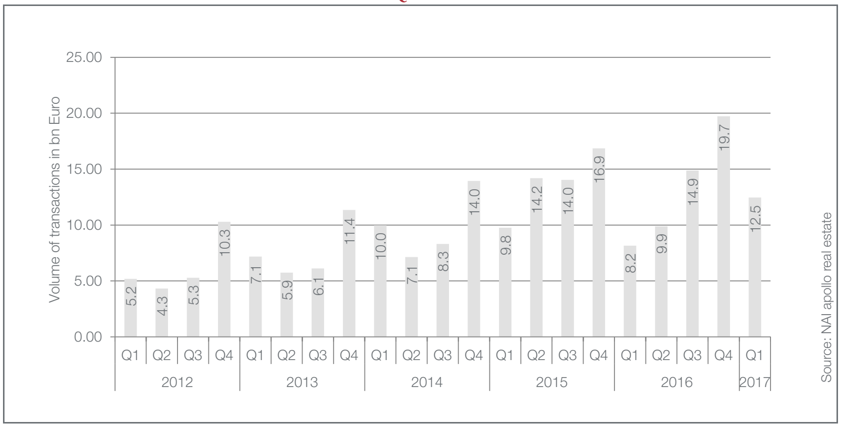
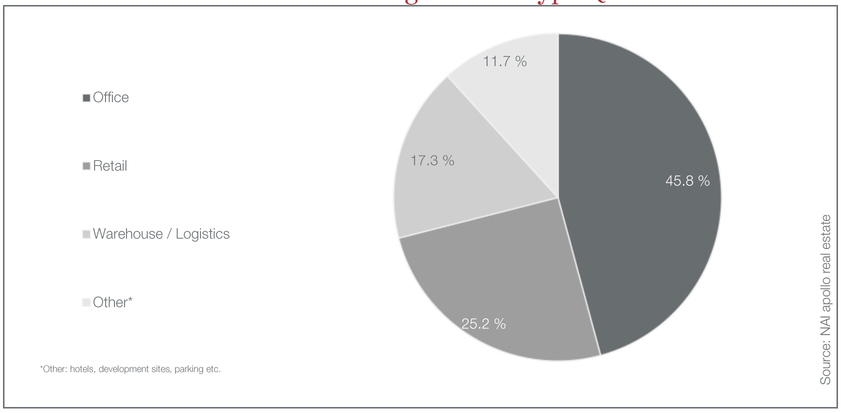
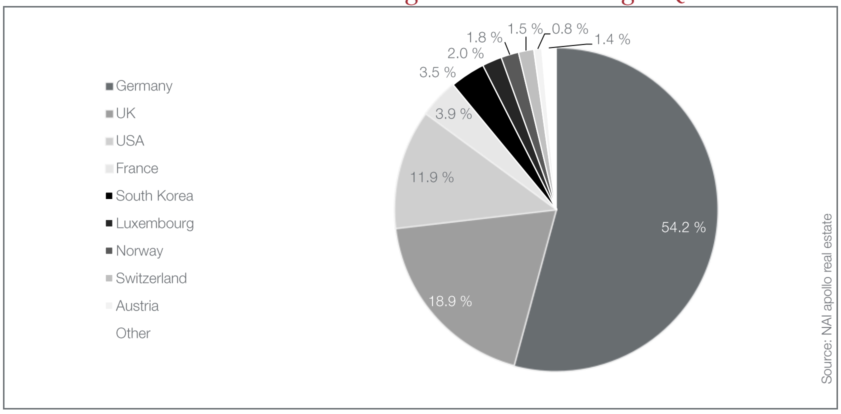
Volume of transactions 2012 – Q1 2017



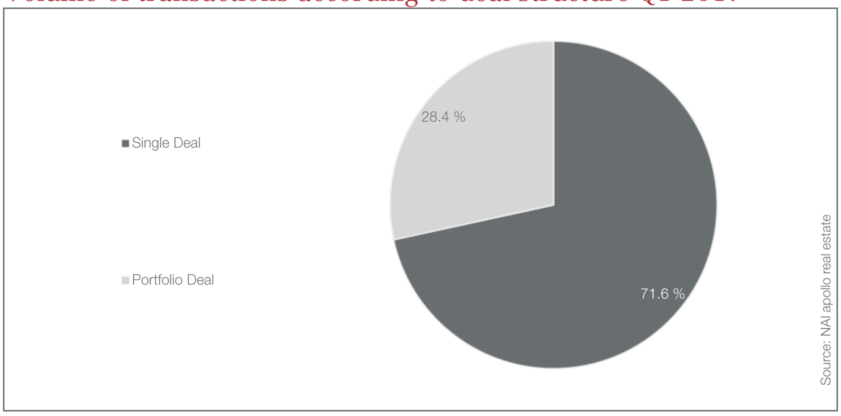
Volume of transactions according to asset type Q1 2017



Volume of transactions according to investors' origin Q1 2017



Volume of transactions according to deal structure Q1 2017

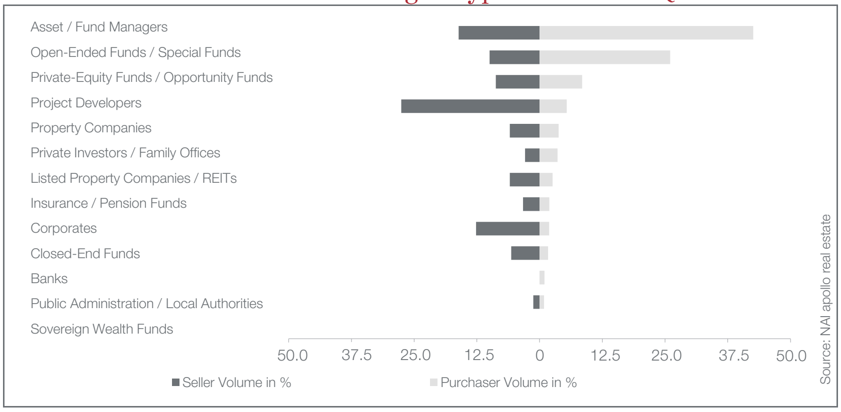


The German investment market for commercial real estate kicked off 2017 with an impressive first quarter. Within the first three months of the year, the total traded volume amounted to €12.48 billion and exceeded the previous year's result by 52.7 %. This also represents the best start to the year since transaction volumes have been recorded.

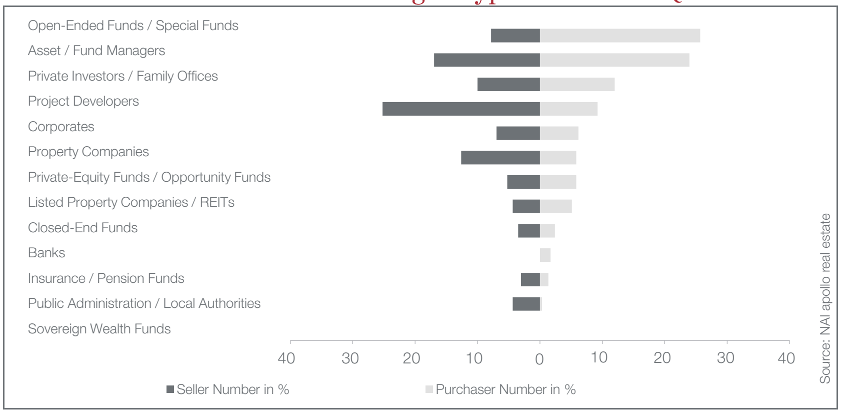
The positive development in portfolio transactions contributed towards the overall performance. Such deals more than doubled year-on-year to reach €3.54 billion. Accordingly, portfolio sales increased their share of the total volume from 21.2 % at the beginning of 2016 to 28.4 % in the first quarter of 2017. Individual transactions accounted for €8.93 billion (71.6 % share), which was 38.7 % higher compared to the first three months of 2016.

In terms of the different asset classes, office properties continued to dominate the market with €5.72 billion (45.8 % share), followed by retail properties with €3.14 billion (25.2 % share). Even though these two categories increased their respective volumes by 47.7 % and 69.9 % year-on-year, logistics properties stood out here with particularly strong growth. Total investments in this property class increased 123.3 % compared to last year, reaching a transaction volume of €2.15 billion. Hotels also registered strong growth, rising 75.1 % to €1.10 billion. "Other use" properties, which includes hotels, accounted for a total volume of €1.46 billion (11.7 % share).

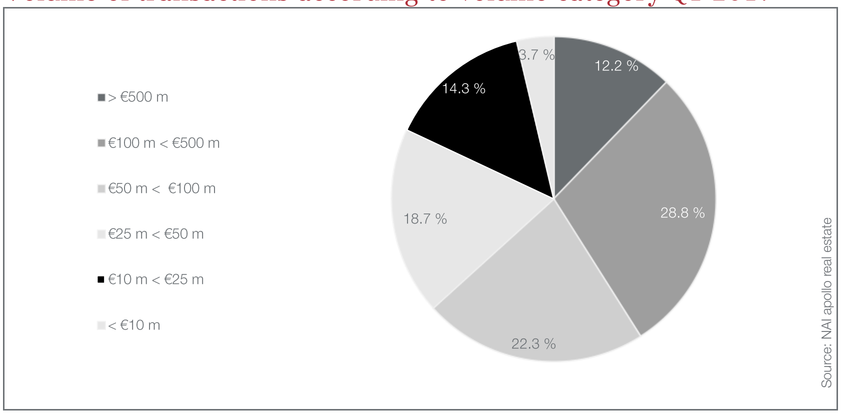
Volume of transactions according to type of investor Q1 2017



Number of transactions according to type of investor Q1 2017



Volume of transactions according to volume category Q1 2017



Prime yields Q1 2017

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	3.25 %	3.30 %	4.95 %
Dusseldorf	3.95 %	3.45 %	4.95 %
Frankfurt a. M.	3.60 %	3.50 %	4.95 %
Hamburg	3.30 %	3.40 %	4.95 %
Munich	3.25 %	3.20 %	4.90 %
Total	Ø = 3.45 %	Ø = 3.35 %	Ø = 4.95 %

Source: NAI apollo real estate

Foreign investors were primarily responsible for the increase in portfolio transactions, and the purchase volume of international investors also increased in tandem. These investors accounted for a transaction volume of €5.71 billion, which is more than double the volume of the previous year. The UK and the United States stood out here, accounting for €2.36 billion (18.9 % share) and €1.49 billion (11.9 % share) respectively. German investors spent €6.76 billion on property assets and thus achieved a below-average increase of 24.0 % compared to the previous year.

Among the different types of investors, “asset / fund managers” and “open ended funds / special funds” were the two strongest investor groups and accounted for more than two thirds of trading activity. “Asset / fund managers” were in first place and increased their investments from €2.09 billion in the first quarter of 2016 to €5.31 billion. “Open ended funds / special funds” increased their volume by 38.5 % compared to the previous year to €3.25 billion. “Private-equity funds / opportunity funds” also exceeded the billion-threshold, at €1.06 billion. As expected, “project developers” formed the dominant group on the sell-side, with property sales amounting to approximately €3.44 billion.

As a consequence of the increased activity on the transaction market for commercial real estate, growth was registered in most size categories. The strongest increase of 58.1 % was registered in the “€25m < 50m” segment. Only the “<€10m” segment registered a decline, with transactions falling by 23.8 %.

Selected commercial transactions Q1 2017

Hansteen -Portfolio	
Purchaser	Blackstone / M7
Purchase Price (ca.)	€974,000,000
Asset Type	Logistics
Gravity-Portfolio	
Purchaser	Castlelake
Purchase Price (ca.)	€230,000,000
Asset Type	Retail
Radisson Blu Dammtor, Hamburg	
Purchaser	Wenaasgruppen
Purchase Price (ca.)	€200,000,000
Asset Type	Hotel
Telekom Headquarter, Bonn	
Purchaser	Meritz Securities
Purchase Price (ca.)	€200,000,000
Asset Type	Office
Gerling-Quartier (2.Part), Cologne	
Purchaser	Quantum / Proximus
Purchase Price (ca.)	€200,000,000
Asset Type	Office, Hotel, Retail, Residential
Zalando Headquarter, Berlin	
Purchaser	Capstone Asset Management
Purchase Price (ca.)	€196,000,000
Asset Type	Office
Telefónica, Munich	
Purchaser	Europa Capital / Bayern Projekt
Purchase Price (ca.)	€150,000,000
Asset Type	Office
Luisenforum, Wiesbaden	
Purchaser	M&G Real Estate
Purchase Price (ca.)	€140,000,000
Asset Type	Retail
DHL-Portfolio	
Purchaser	CBRE Global Investors
Purchase Price (ca.)	€128,000,000
Asset Type	Logistics
Schwaben-Galerie, Stuttgart	
Purchaser	Swiss Life
Purchase Price (ca.)	€125,000,000
Asset Type	Retail

Source: NAI apollo real estate

After registering a significant reduction across all asset classes in the top 5 cities at the end of last year, prime yields fell noticeably again primarily in the office property segment in the first quarter of 2017. Here, the average prime yield for the top 5 cities dropped by 12 basis points on a quarterly basis. The yield for retail property fell by 4 basis points and thus declined stronger than the logistics property yield, which was down by 3 basis points.

Within the office property asset class, the strongest decline of 0.25 %-points was registered in Berlin. Investors in the German capital priced in market factors such as the almost complete absence of vacancies and the expected increase in rental prices. Thus Berlin is the most expensive office location along with Munich (-0.10 %-points compared with the previous quarter) with a yield of 3.25 %. In Frankfurt and Hamburg, the prime yield fell by a further 15 and 10 basis points respectively in the last three months to reach 3.60 % and 3.30 %, whereas the yield in Dusseldorf was unchanged at 3.95 %.

Berlin also sustained the sharpest decline in yields in the retail property segment. Here, the prime yield fell by a further 10 basis points to 3.30 %. Yields for commercial buildings in Frankfurt and Hamburg fell by a further 0.05 % (Frankfurt: 3.50 %; Hamburg: 3.40 %) in the first quarter of 2017, while the situation was more stable in Dusseldorf and Munich (Dusseldorf: 3.45 %; Munich: 3.20 %).

Yields in the logistics property segment took a little breather in the quarter and were unchanged in Frankfurt, Hamburg and Munich (Frankfurt: 4.95 %; Hamburg: 4.95 %; Munich: 4.90 %). In Berlin und Dusseldorf, yields fell by only 10 and 5 basis points respectively (Berlin: 4.95 %; Düsseldorf: 4.95 %).

Following the very strong start to the year, a very high level of trading activity can also be expected in the coming months. In addition to German investors, there are signs of growing interest on the part of foreign players. This will in turn put further pressure on prime yields. Large property and portfolio deals that are currently in the marketing phase will be reflected in the overall annual volume. Accordingly, NAI apollo real estate continues to forecast a transaction volume of up to €50 billion for the commercial investment market in 2017 as a whole.

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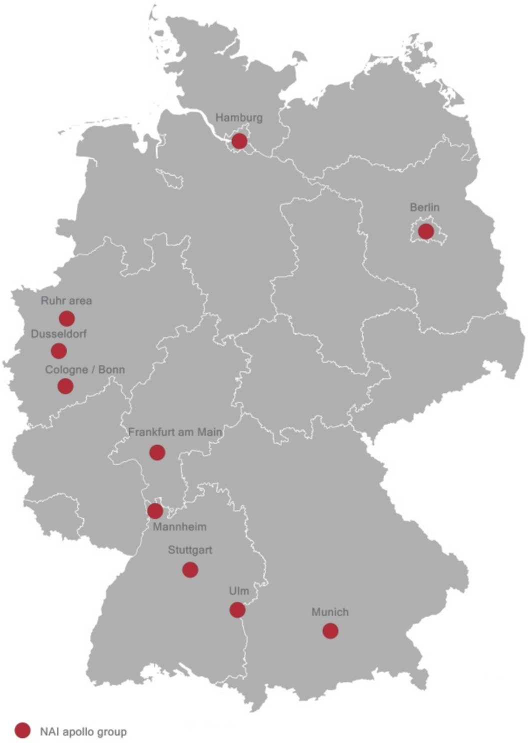
SALES

LETTING



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