



## Facts and Figures

Investment Market for Residential Portfolios Germany  
2017



# “Much as I know, I wish I knew more.”

Quote from Wolfgang von Goethe

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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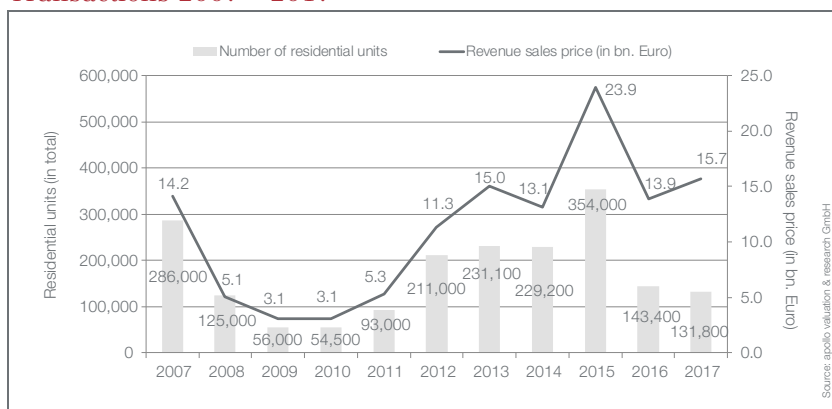
## Market overview 2017

Transaction volume	€15.7 billion, 12.9 % above the volume of the previous year
Sales of residential units	431 transactions with approx. 131,800 units
Regional focus	Berlin is the most popular investment target among the metropolises (18.6 % of the transactions), investment activity in secondary and tertiary locations is rising
Type of investors	dominant investors are "listed property companies / REITs" (€4.3 billion)
Origin of investors	German investors are strongest market players with purchases of €11.4 billion

Source: apollo valuation & research GmbH

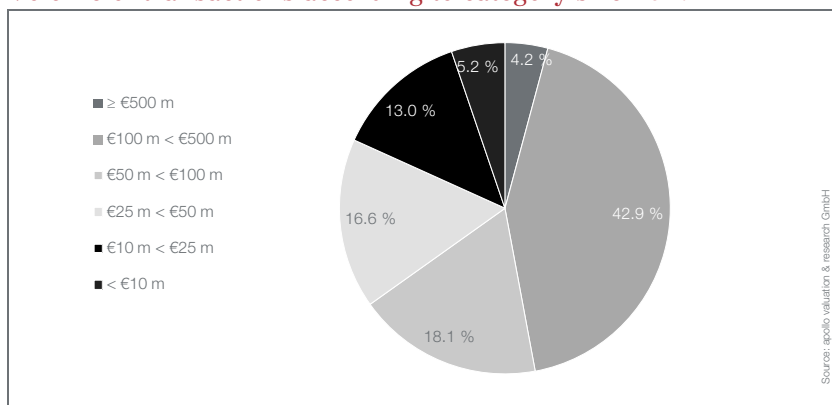
The transaction market for residential property portfolios\* ended 2017 on a high note. Around €5.1 billion was transacted in the final quarter, which also represented the strongest quarter of the year and helped boost the annual transaction volume to €15.7 billion. In a 10-year comparison, 2017 is ranked second after the record year in 2015 when the transaction volume reached €23.9 billion. Last year's result also exceeded the 2016 figure by 12.9 %.

## Transactions 2007 – 2017



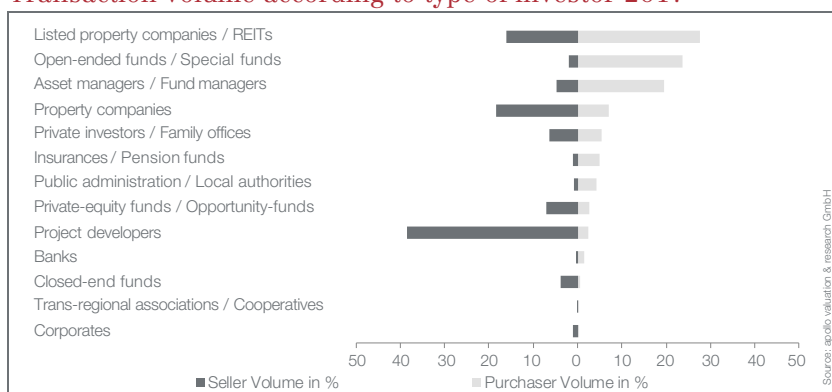
Around 131,800 units changed hands in 2017, which was fewer than in 2016 (143,400 units). The fact that the monetary volume was nevertheless so much higher reflects the further increase in residential property prices for older buildings as well as for new builds and forward deals. In addition, the sale of units in project developments has also increased, and higher prices are generally achieved here.

## Volume of transactions according to category size 2017



As was also the case in 2016 (57.0 %), the lion's share of the transaction volume (52.9 %) in the past year was generated by sales worth below €100 million. In absolute terms, this corresponds to around €8.3 billion (2016: €7.9 billion). Large transactions above €100 million accounted for around €7.4 billion.

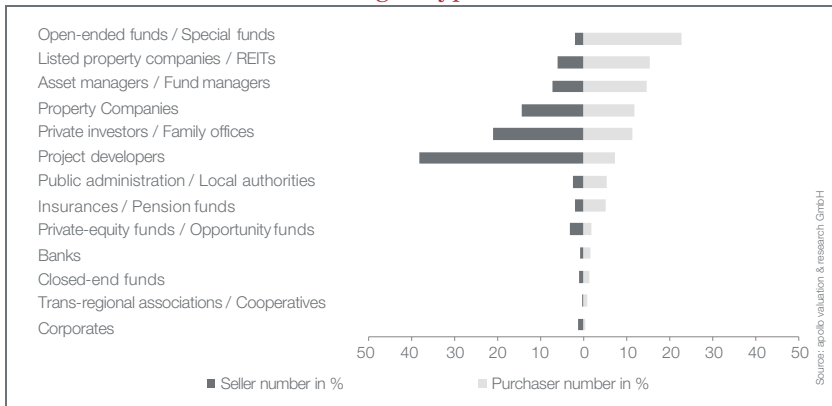
## Transaction volume according to type of investor 2017



Only the largest transaction of the year, the acquisition of a residential portfolio with 4,170 units and a commercial portion in Berlin by Deutsche Wohnen for around €655 million, exceeded the €500m threshold. This illustrates the biggest difference between 2017 and 2015, which was dominated by several company takeovers, especially by Vonovia, as well as a high number of large portfolio purchases over €500 million.

\*Sale of residential property portfolios or residential complexes with at least 30 units each as well as the sale of corporate shares which give the purchaser a controlling interest; without consideration of IPOs

## Transaction number according to type of investor 2017



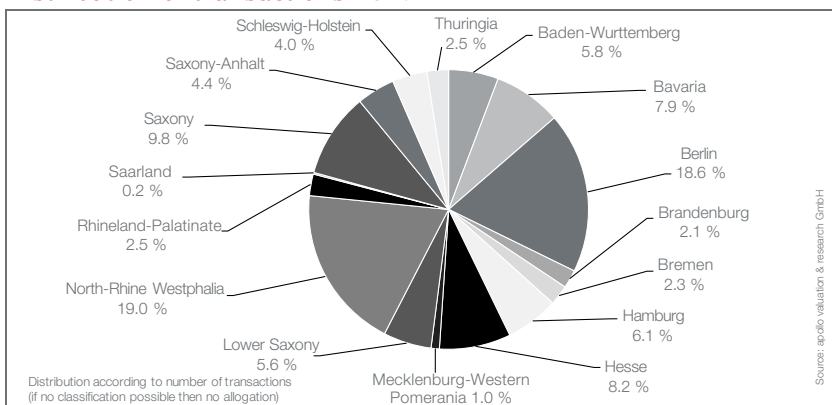
## Transaction volume according to investors' origin 2007 - 2017



## Transaction number according to investors' origin 2007 - 2017



## Distribution of transactions 2017



Such large deals were virtually absent from the market in 2017. Instead, smaller portfolio sales, partly as a result of portfolio adjustments, and particularly the trading of project developments characterised market activity.

“Listed property companies / REITs” remained the strongest buyer group at the end of the year. Around €4.3 billion is attributable to this group, representing a market share of 27.6 %, “Open-ended funds / special funds”, which were still in first place in 2016 with a volume of €3.5 billion, are now in second place with 23.7 %. This group increased its volume by almost €200 million in absolute terms compared to the previous year.

“Project developers” form the most important seller group. Residential building projects sold before completion alone accounted for 26.8 % of the transaction volume. This corresponds to an absolute volume of €4.2 billion and a year-on-year increase of 35.5 % (2016: €3.1 billion). Compared to 2015, the volume was 90.9 % higher (2015: €2.2 billion).

This illustrates the shortage of marketable existing properties. The strong investor interest has almost exhausted this supply in recent years and has led to a sharp rise in prices. As a further consequence of this development, building projects and new builds have gained considerable importance for the investment market.

In addition to the general price growth, this has also led to a further increase in the average price. In 2017, this reached around €119,000 per unit, which amounts to a year-on-year increase of €22,000 per residential unit.

## Selected residential transactions 2017 &gt; €200 m

Residential Portfolio with commercial part in Berlin	
Purchaser	Deutsche Wohnen
Purchase price (approx.)*	€655.000.000
Residential units*	4.170
Residential Portfolio with commercial part in Berlin	
Purchaser	ADO Properties
Purchase price (approx.)*	€262.500.000
Residential units*	1.594
Living quarter "Mein Falkenberg" in Berlin	
Purchaser	Gewobag, Gesobau and Howoge
Purchase price (approx.)*	€245.000.000
Residential units*	1.360
Residential Portfolio in Berlin, Cologne, Wuppertal and Mainz	
Purchaser	Spezialfonds Industria Wohnen Deutschland V
Purchase price (approx.)*	€226.000.000
Residential units*	635
Residential Portfolio with focus on Berlin and residential units in Leipzig	
Purchaser	Foncière des Régions (FDR)
Purchase price (approx.)*	€202.000.000
Residential units*	1.800

\*partly includes data concerning commercial properties / partly estimated

Source: Apollo  
valuation &  
research GmbH

International investors returned to the German market in force during 2016 following several years of increasing abstinence, but 2017 was again characterised by a slight decline in foreign investor activity. German investors instead gained an additional €1.7 billion in absolute terms (to €11.4 billion) compared to the previous year, and a further 2.6 %-point share (to 72.6 %). This is not so much due to falling interest on the part of international investors – rather the opposite is to be assumed. Instead, they simply face a fierce competition, or, ultimately, national companies are often able to close the deal.

The highest investment activity (number of transactions) was again observed in North Rhine-Westphalia and Berlin. Between 34.0 % and 47.0 % of the transactions (by number of deals) can be allocated to these two federal states during the past four years. Among German metropolises, Berlin was the most sought-after location with shares of just below 16.0 % to 26.0 % (2017: 18.6 %). Alongside, the investment activity in secondary and tertiary locations increased again. Especially Dresden, Leipzig and the cities of the Ruhr area (i. a. Duisburg, Essen, Gelsenkirchen) stand out.

Further, significant purchases with more than 1,000 residential units apiece in Brandenburg an der Havel, Chemnitz and the surrounding area, Halle (Saale), Duisburg, Oberhausen, and in the greater Bielefeld area.

The outlook for 2018 is also positive against the backdrop of market activities in 2017. The last few months demonstrate that a considerable transaction volume can be achieved even without large company purchases. In addition, a genuine mega-deal is already on the cards for 2018: Vonovia is planning to acquire Buwog with around 27,000 residential units in Germany.

The decreasing supply of marketable existing property stock and the high prices will have a limiting effect. At the same time, this will fan further interest in project developments. Ultimately, however, a combination of these two developments will lead to a further increase in residential investment prices.

Demand will continue to be focused on the major German metropolitan areas and regions with high levels of immigration. However, secondary locations will continue to gain in importance. Likewise, the already high levels of investment activity in 'B' and 'C' locations will increase due to a lack of alternative options and the risk appetite on the part of investors. Against this background a residential property portfolio transaction volume of around €15 billion can be forecasted for 2018, which would fall between the 2016 and 2017 results.



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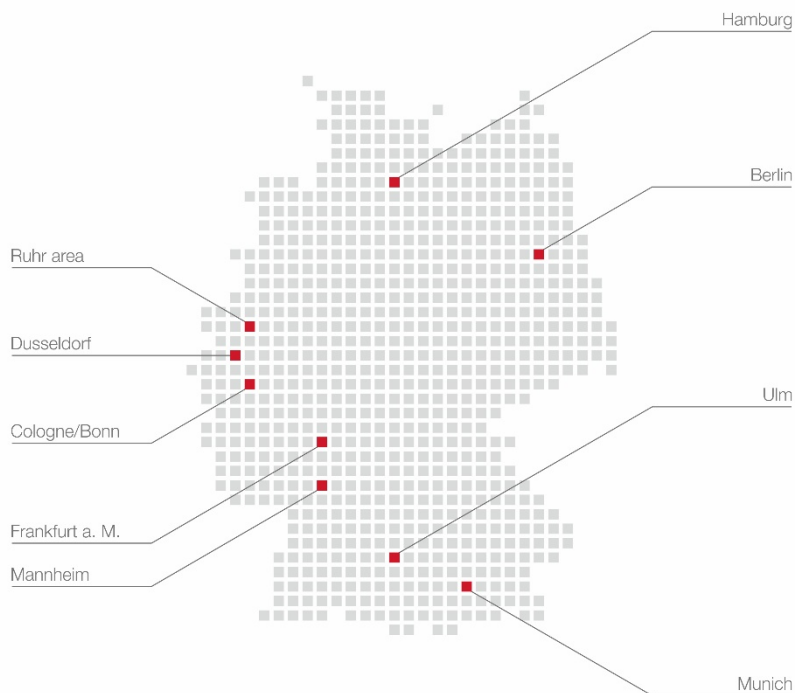
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