

# Market in Minutes

## Germany residential investment markets

Q1 2016



### The facts at a glance

#### Shortage of existing supply casts spotlight on development segment

■ After the ECB lowered its main refinancing rate again to 0% on 10 March, the share prices of the three largest German residential property companies rose by 10.6% by the end of March. The DAX rose by just 3.2%, demonstrating that German residential property has become even more attractive to investors.

■ Despite this, the transaction volume in the first quarter of 2016 fell by 85% compared with Q1 15 to €1.5bn (excluding the acquisition of Gagfah: +27%).

■ One reason for this decline is that owners' inclination to sell is extremely low, particularly since the interest rate cut makes it even more difficult for investors to achieve returns on the reinvestment of sales proceeds. Disposals of large residential portfolios will, therefore, remain the exception this year. Only four portfolios comprising more than 1,000 units changed hands during the first quarter of the year. This is less than half of the average figure over the last three years.

■ Assembling larger homogeneous portfolios is scarcely possible in this environment and is most likely to be achieved via a participation in existing platforms.

■ Only in the development segment is there a rising number of purchase opportunities. The transaction volume in development projects was higher than in every single quarter last year at approx. €540m. In view of the significant rise in new-build activity, we expect this upward trend to continue throughout the course of the year.

# Key figures at a glance

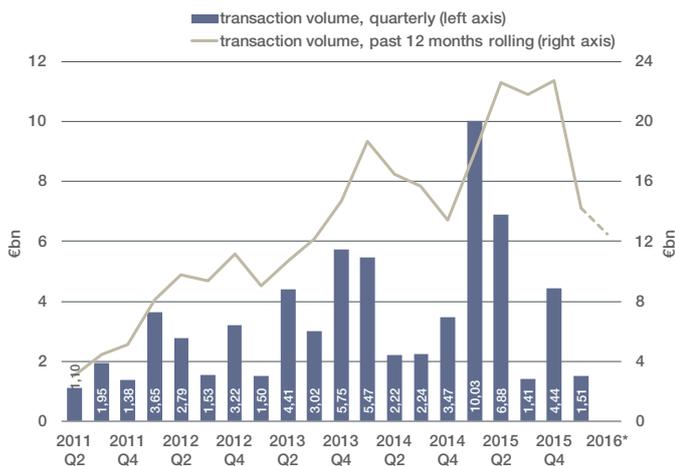
Large transactions become the exception since propensity to sell is very low

TABLE 1 Transaction volume and prices at a glance\*

	Transaction volume (€m)				Prices (€ per unit, 12 months rolling)		
	Q1 16	against Q1 15	Q2 15 - Q1 16	against Q1 15 - Q4 15	Q1 16	against Q1 15	against Q4 15
A-Cities	826	-77%	6,174	-31%	107,200	+22%	+12%
B-Cities	283	-91%	1,401	-67%	87,600	+54%	+39%
C-Cities	66	-93%	1,328	-38%	86,800	+32%	+11%
D-Cities	37	-85%	1,002	-18%	50,700	+19%	+4%
Other	294	-87%	4,338	-31%	54,400	-3%	-1%
Germany	1,507	-85%	14,243	-37%	75,600	+23%	+9%

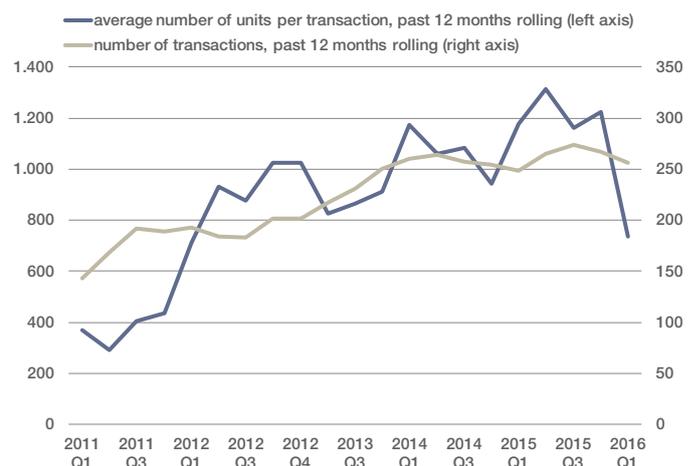
Source: Savills / \* based on the Bulwiengesa classification

GRAPH 1 Transaction volume



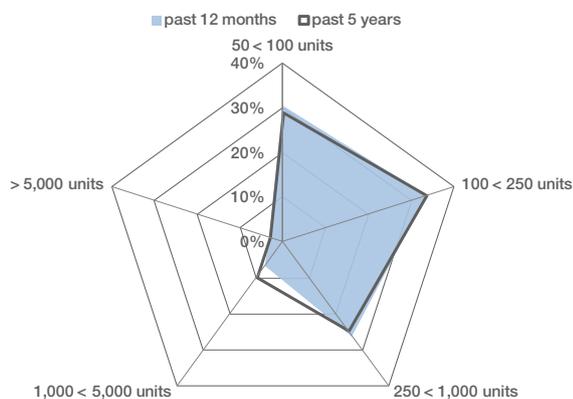
Source: Savills / \* Forecast

GRAPH 2 Deal size and number of transactions



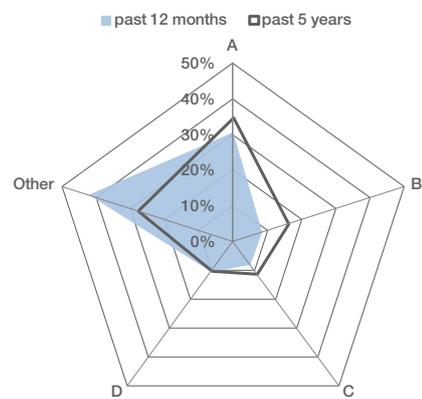
Source: Savills

GRAPH 3 Number of transactions by size



Source: Savills

GRAPH 4 Transacted units by type of city\*

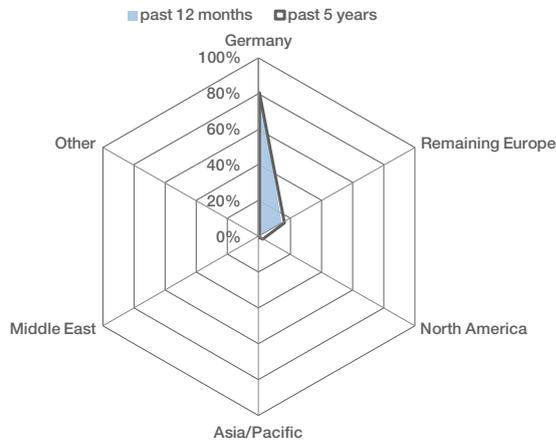


Source: Savills / \* based on the Bulwiengesa classification

# Market players and development of prices

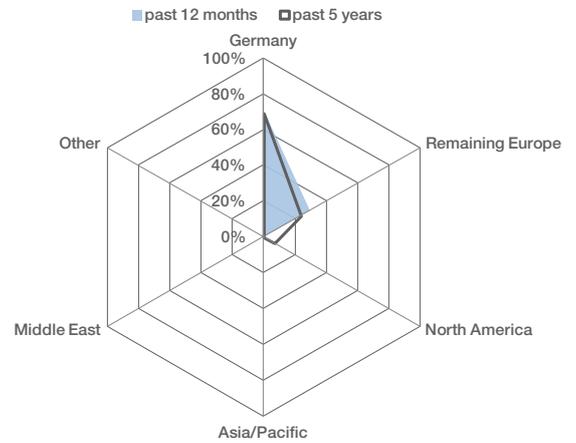
Despite decrease in transaction volume prices rise to almost €76,000 per unit

**GRAPH 5**  
Transaction volume by origin of buyer



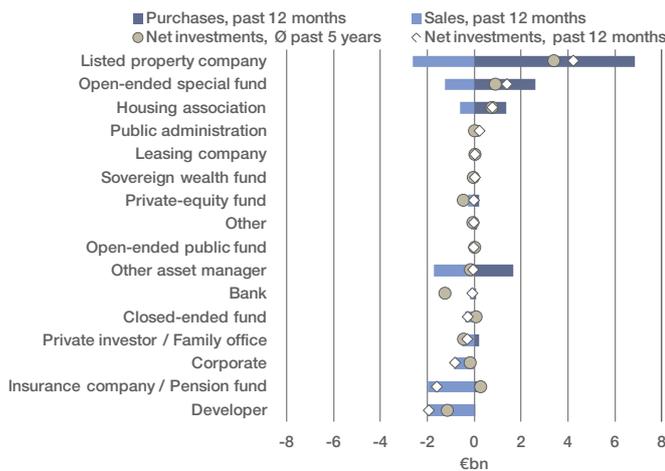
Source: Savills

**GRAPH 6**  
Transaction volume by origin of seller



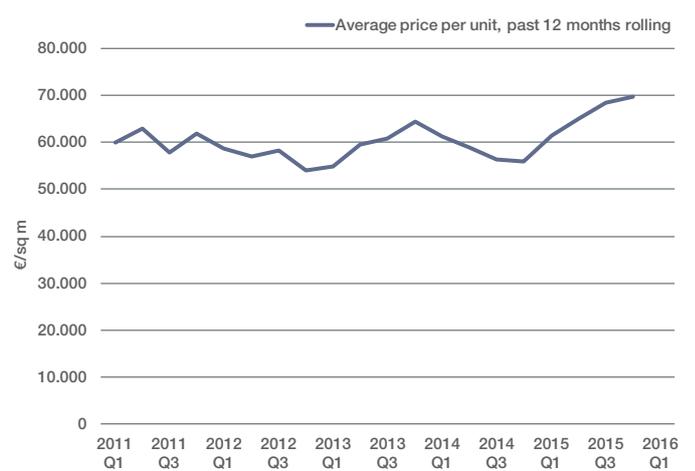
Source: Savills

**GRAPH 7**  
Transaction volume by type of investor



Source: Savills

**GRAPH 8**  
Development of prices



Source: Savills

**TABLE 2**  
The largest transactions in Q1 2016 at a glance\*

Portfolio	Number of units	Volume	Buyer	Vendor
Residenz Berolina	approx. 920	undisclosed	FDR	Kronberg / Ärztekammer Steiermark
-	approx. 1,600	undisclosed	Heitman	Grainger
-	approx. 2,700	approx. 100 Mio. Euro	undisclosed	Corestate
Gewofag share	approx. 1,600	undisclosed	City of Taufkirchen	BayernLB
-	approx. 1,000	undisclosed	Noctura Real Estate / undisclosed	Vonovia

Source: Savills / \* only published transactions are shown

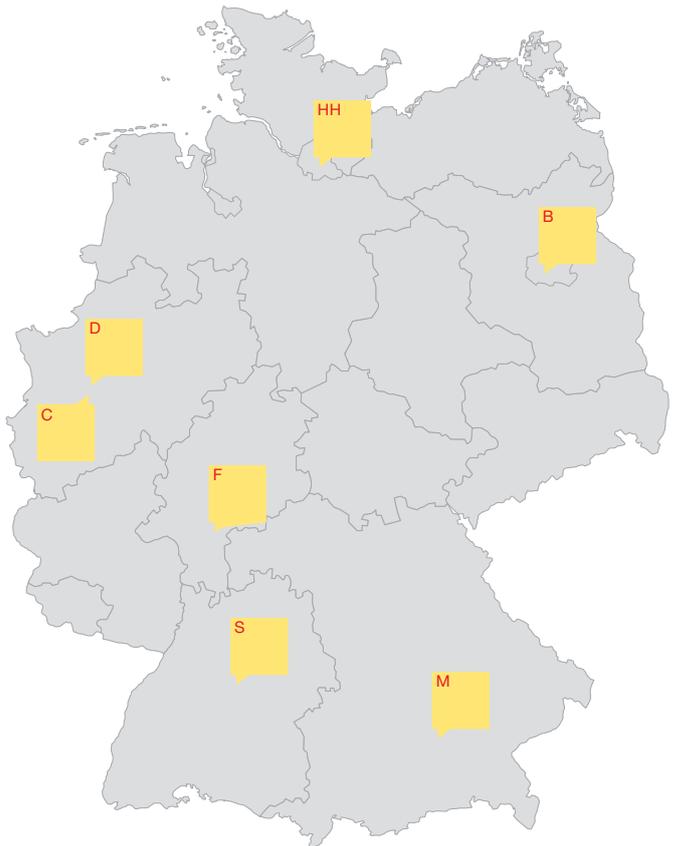
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