

# Market in Minutes Germany retail investment market

Q1 2016



## The facts at a glance

Shortage of product shifts focus towards DIY stores and other niche segments

■ The German Federal Statistical Office reported the “strongest growth in private consumer spending since the year 2000” in mid-March. This increase in consumption is also benefiting the German retail sector. The revenue growth of 3.1% in 2015 represented the largest increase for 20 years.

■ The favourable environment for retail is also expected to persist in the medium term. Against this background, investment in German retail property appears extremely attractive.

■ While the transaction volume in the first quarter of 2016 fell by 40% compared with the corresponding quarter last year to €2.2bn, we consider this to be a blip rather than a reversal of the trend.

■ A significant reason for the decline in transaction volume is the growing disparity between supply and demand. While the latter remains primarily focused on the core and core-plus segments, there are scarcely any properties for sale in these markets.

■ This may change, however,

since investors are increasingly considering disposals and, in some cases, have already initiated sales processes.

■ Nevertheless, the surplus demand will persist in the short term. Consequently, yields will continue their downward trend at least until the midpoint of the year. In view of the generally very low yields, investors' interest is increasingly shifting to formats offering higher income returns. The transaction volume for DIY stores, for instance, rose by 475% compared with Q1 15.

# Key figures and composition of transaction volume

Department stores and DIY stores with significant plus in transaction volumes

TABLE 1

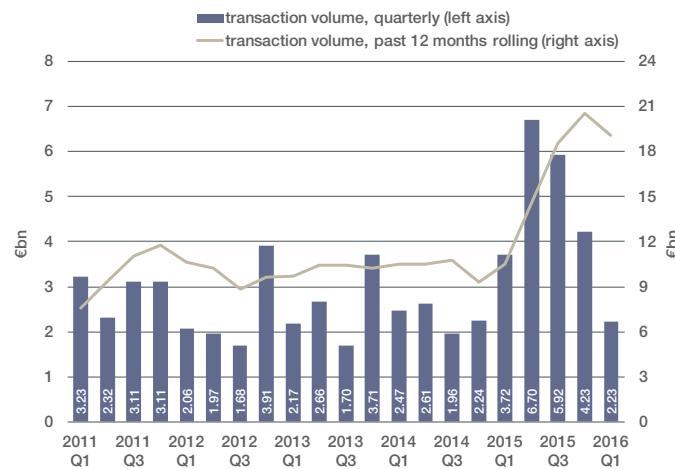
## Key investment market figures

|                        | Transaction volume (€m) |               |               |                       | Prime yield* (%) |               |               |                     |
|------------------------|-------------------------|---------------|---------------|-----------------------|------------------|---------------|---------------|---------------------|
|                        | Q1 16                   | against Q1 15 | Q2 15 - Q1 16 | against Q1 15 - Q4 15 | Q1 16            | against Q1 15 | against Q4 15 | Trend next 6 months |
| High street properties | 736                     | - 37 %        | 6,914         | - 6 %                 | 3.7 %            | - 13 Bp.      | - 6 Bp.       | →                   |
| Retail warehouse parks | 253                     | - 40 %        | 1,852         | - 8 %                 | 5.1 %            | - 50 Bp.      | +/- 0 Bp.     | ↓                   |
| Department stores      | 187                     | + 96 %        | 3,772         | + 2 %                 | -                | -             | -             | -                   |
| Shopping centres       | 634                     | - 55 %        | 3,710         | - 17 %                | 4.2 %            | - 40 Bp.      | +/- 0 Bp.     | →                   |
| Other                  | 425                     | - 31 %        | 2,831         | - 6 %                 | -                | -             | -             | -                   |
| Total                  | 2,234                   | - 40 %        | 19,079        | - 7 %                 | -                | -             | -             | -                   |

Source: Savills / \* average of Top 7 markets

GRAPH 1

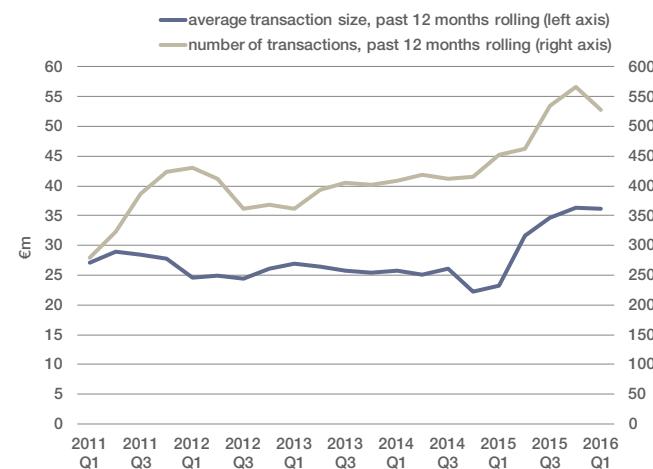
## Transaction volume



Source: Savills

GRAPH 2

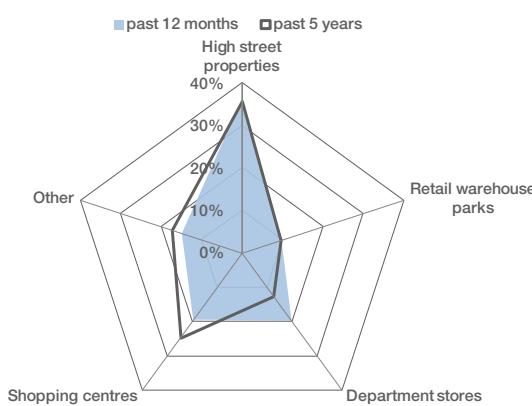
## Deal size and number of transactions



Source: Savills

GRAPH 3

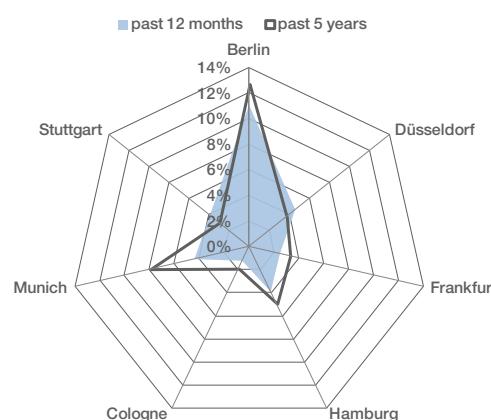
## Transaction volume by type of property



Source: Savills

GRAPH 4

## Transaction volume by location\*



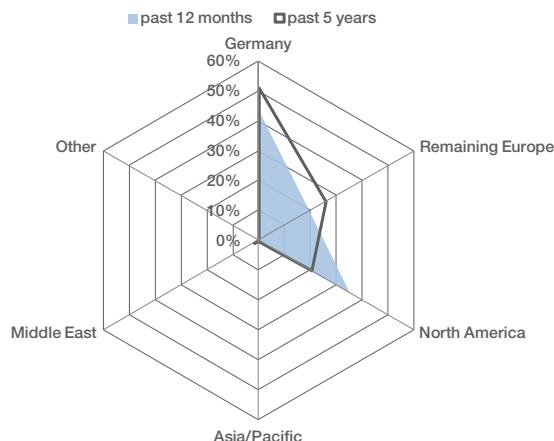
Source: Savills / \* share of other locations 68% (past 12 months) and 63% (past 5 years) resp.

## Investors, yields and largest transactions

Open-ended special funds remain dominating purchaser group | Yields on further decline

GRAPH 5

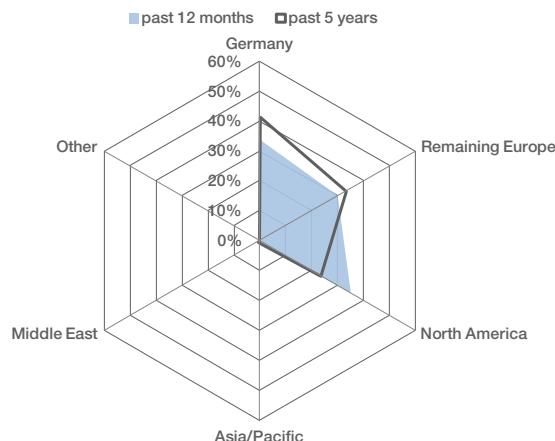
### Transaction volume by origin of buyer



Source: Savills

GRAPH 6

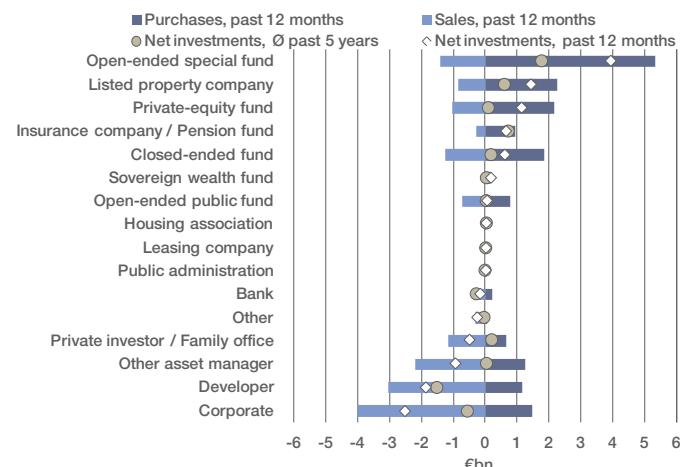
### Transaction volume by origin of seller



Source: Savills

GRAPH 7

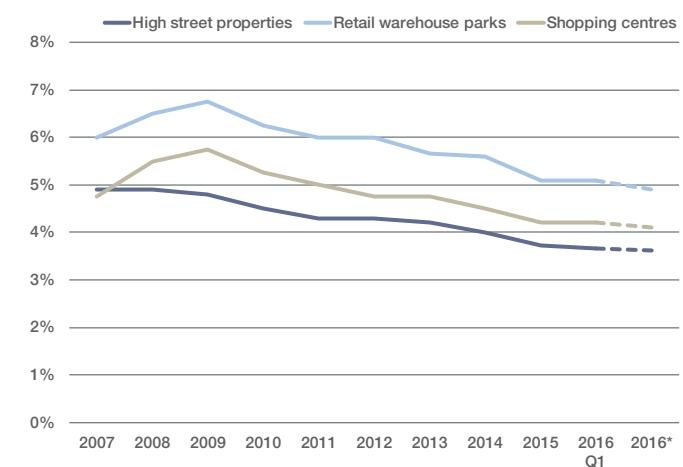
### Transaction volume by type of investor



Source: Savills

GRAPH 8

### Prime yields\*



Source: Savills / \* average of Top 7 markets

TABLE 2

### The largest transactions in Q1 2016 at a glance\*

| Property / Portfolio     | Type of use          | Location(s)    | Volume        | Buyer                  | Vendor                                  |
|--------------------------|----------------------|----------------|---------------|------------------------|---|
| Loop5                    | Shopping centre      | Weiterstadt    | undisclosed   | DAWM                   | Sonae Sierra / Foncière Euris           |
| Forum Hanau              | Shopping centre      | Hanau          | undisclosed   | Hamburg Trust          | HBB                                     |
| Portfolio (9 properties) | DIY store            | across Germany | approx. €150m | Rockspring             | undisclosed                             |
| Hainspitze               | High street property | Leipzig        | undisclosed   | Axa Real Estate        | Centrum Grundstücksge-sellschaft et al. |
| daseinstein              | Shopping centre      | Munich         | undisclosed   | Kirkbi / Cells Bauwelt | Pramerica                               |

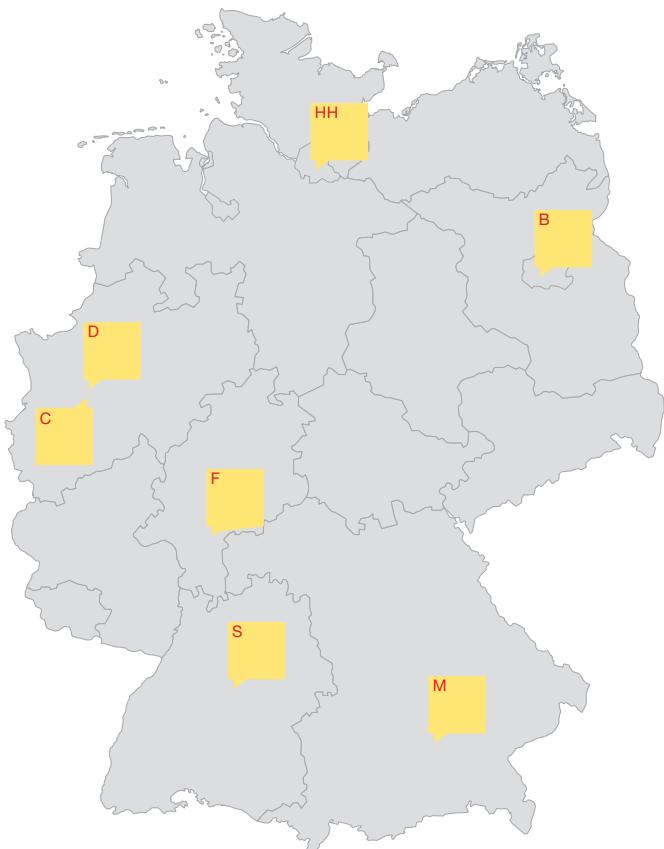
Source: Savills / \* only published transactions are shown

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