

# Investment Market monthly Germany

March 2016



## Topic of the month

### Falling transaction volumes despite rising demand? An explanation

■ The transaction volume in both the commercial and residential property markets fell by double-digit percentages in the first quarter of 2016 compared to the corresponding period last year (Table 1+5). This decline is in stark contrast to the change in demand levels. Never, in our estimation, has there been so much capital waiting to be invested in German property than at present.

■ However, a general reference to the (excessively) scarce supply is insufficient as an explanation for the decline in transaction volume.

This is apparent when looking at the investment statistics from previous years. Although supply was becoming consistently scarcer, the transaction volume rose every year since 2009. The increasing supply shortage translated into rising prices, which in turn caused more and more owners to sell their properties.

■ While this paradigm remains intact in principle, rising prices no longer represent an equal incentive to sell for all types of owner. One influencing factor, and the only factor that bears highlighting here,

is the type of investor with regard to their strategic target parameter. Essentially, we can distinguish between two different types of investor: growth-oriented and income-oriented investors. The former have the express objective of simply striving to make acquisitions at low prices and disposals at high prices. Consequently, rising prices represent a strong incentive for such investors to sell properties in their portfolios. Investors with an income-oriented investment approach, however, are focused on the running income return. This is completely unaffected →

## Topic of the month (continuation)

### Falling transaction volumes despite rising demand? An explanation

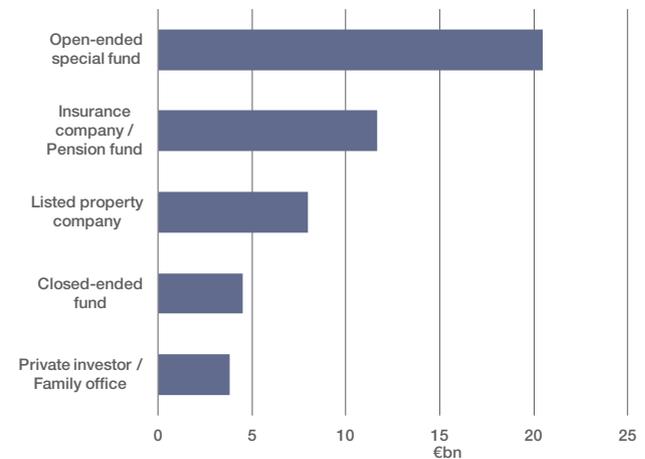
→ by fluctuations in value and rising prices, therefore, constitute a relatively low incentive to sell for this type of investor. A further consequence is that income-oriented investors typically hold their properties for significantly longer than growth-oriented investors.

■ The two largest investor groups in the German commercial property market by acquisition volume over the last ten years represent both of the investment styles described. Private equity funds, clearly growth-oriented investors, have made commercial property acquisitions totalling approx. €57bn since 2006, which is more than any other investor group. In second place are special funds, which have invested approx. €46bn during the same period. They and their investors, predominantly insurance companies, pension schemes and similar investors, represent the income-oriented investor type.

■ While both investor groups have invested similarly large volumes in German commercial property since 2006, the timing of their acquisition activities has been entirely different. In the case of private equity funds, more than 70% of their 10-year purchase volume is attributable to the years from 2006 to 2008. For special funds, these three years account for just 22% of overall investment volume. Thus, while special funds have strongly increased their acquisition activity during the current cycle, private equity funds have been significantly more reserved since 2009 compared with the previous cycle. The significantly more restrictive financing environment since 2008/09 is likely to have been a major contributing factor.

■ The differential is even greater when looking at the net investment volume, which expresses the difference between acquisition and disposal volumes. In this case, special funds are by far the largest investor group with a net investment volume of more than €20bn (Graph 1). Private equity funds occupy a modest sixth place in the rankings with a net investment volume of approx. €3.6bn. The top five is completed by insurance companies/pension funds (approx. €11.6bn), property companies/REITs (approx. €8bn), closed-end property funds (approx. €4.5bn) and private investors/family offices (approx. €3.8bn). With the exception of property companies/REITs, all of these groups can be characterised as long-term, income-oriented investors.

GRAPH 1  
Top5 net investor groups since 2009\*



Source: Savills / \* net investment volume equals acquisition volume minus sales volume

■ Owing to their income-based approach, such investors deprive the investment market of a portion of the supply for many years by definition. Even further price rises will only incite these to sell their property if other considerations, such as portfolio optimisation, make this a sensible proposition. This is all the more true since the further reduction in the ECB's main refinancing rate in mid-March since it is now even more difficult to reinvest sales proceeds at a similar return with comparable investment risk. In that regard, the change in the ownership structure in the German real estate market witnessed in recent years may actually result in a long-term supply shortage in the investment market. For the longer the average holding period of participants in the property investment sector, the fewer assets can change hands each year and, inevitably, the lower the transaction volume.

## The month in brief

Commercial 12-months volume at €56.0bn, residential at €14.2bn

- In March 2016, approx. €2.7bn was invested in the **commercial real estate market** in total. In comparison: In the same month last year (March 2015), the transaction volume was around €4.0bn. The average monthly transaction volume was at €4.7bn during March 2015 and February 2016. In the last twelve months some €56.0bn were invested, and therefore 2% less compared to the figure of last month.
- On the **residential real estate market** approx. €0.7bn was invested in March 2016. In the same month last year, the transaction volume was at around €1.2bn. In the past twelve months the average monthly transaction volume amounted to €1.2bn. The transaction volume of the last twelve months summed up to €14.2bn, representing a decrease of 4% compared to the figure of last month.

# Commercial investment market

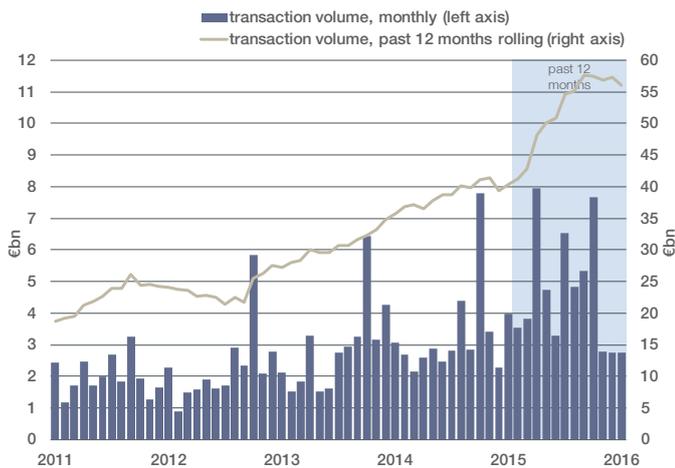
## Overview

TABLE 1 **Transaction volume and prime yields**

	Transaction volume (€m, 12 months rolling)			Prime Yield Office		Prime Yield High street property	
	Mar 2016	against Mar 2015	against Feb 2016	Q1 2016	against Q4 2015	Q1 2016	against Q4 2015
Berlin	7,255	+39%	-8%	3.9%	+/-0bps	3.5%	-10bps
Düsseldorf	2,993	+101%	-1%	4.1%	+/-0bps	3.8%	+/-0bps
Frankfurt	5,300	+8%	-4%	4.0%	+/-0bps	3.5%	+/-0bps
Hamburg	4,158	+13%	-3%	4.0%	-10bps	3.7%	+/-0bps
Cologne	2,235	+80%	+3%	4.2%	-10bps	3.8%	-20bps
Munich	5,858	+42%	-3%	3.7%	+/-0bps	3.5%	+/-0bps
Stuttgart	1,850	+88%	-6%	4.2%	-10bps	3.9%	-10bps
Germany*	56,048	+39%	-2%	4.0%	-9bps	3.7%	-6bps

Source: Savills / \* prime yields = Ø Top 7

GRAPH 3 **Transaction volume**



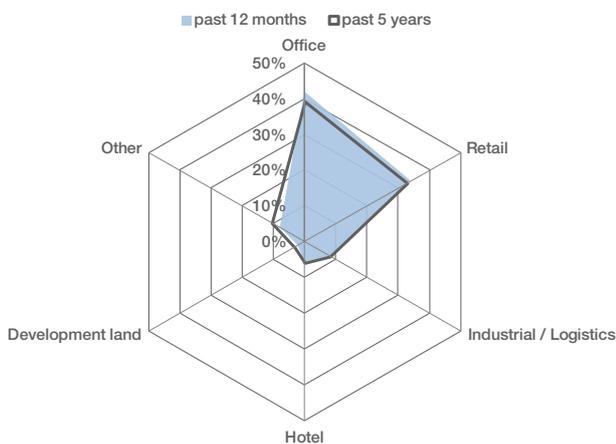
Source: Savills

GRAPH 4 **Deal size and number of transactions**



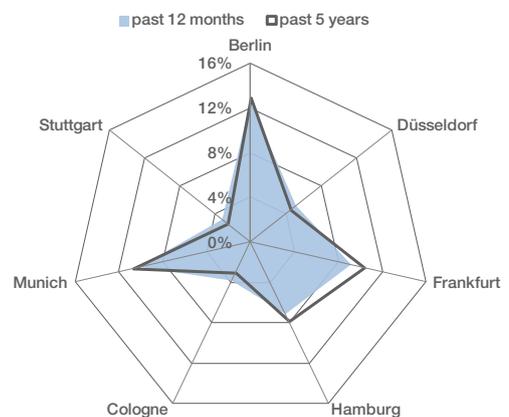
Source: Savills

GRAPH 5 **Transaction volume by type of use**



Source: Savills

GRAPH 6 **Transaction volume by location\***

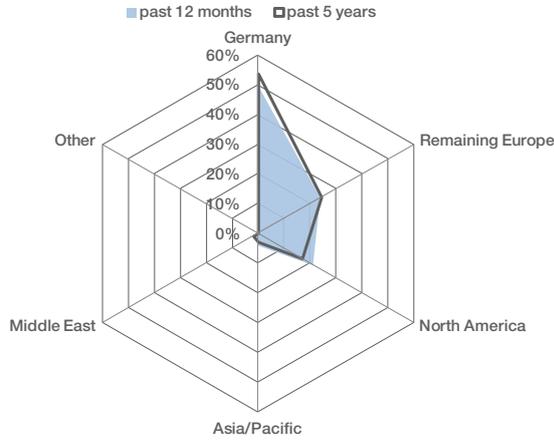


Source: Savills / \* share of other locations 49% (past 12 months) and 48% (past 5 years) resp.

# Commercial investment market

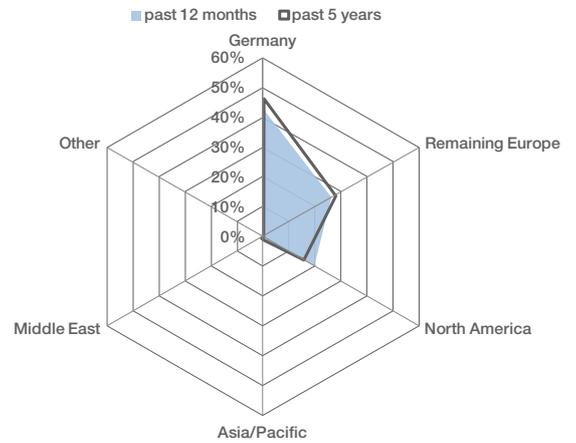
## Buyer and seller groups

**GRAPH 7**  
**Transaction volume by origin of buyer**



Source: Savills

**GRAPH 8**  
**Transaction volume by origin of seller**



Source: Savills

**TABLE 2**  
**Top 10 buyer groups**

#	Buyer	Volume (€m)	
		past 12 months	Ø past 5 years
1	Open-ended special fund	11,746	6,695
2	Listed property company	6,182	3,634
3	Private-equity fund	5,575	3,286
4	Other asset manager	5,180	3,603
5	Developer	3,881	2,540
6	Closed-ended fund	3,606	2,997
7	Corporate	2,956	2,253
8	Insurance company / Pension fund	2,530	2,606
9	Open-ended public fund	1,757	1,240
10	Private investor / Family office	1,609	2,124

Source: Savills

**TABLE 3**  
**Top 10 seller groups**

#	Seller	Volume (€m)	
		past 12 months	Ø past 5 years
1	Developer	7,820	6,133
2	Corporate	6,783	3,157
3	Other asset manager	5,168	3,252
4	Closed-ended fund	5,165	2,929
5	Open-ended special fund	3,879	2,722
6	Listed property company	3,579	2,292
7	Open-ended public fund	3,467	1,605
8	Private-equity fund	3,188	2,609
9	Private investor / Family office	2,054	1,360
10	Bank	1,446	1,430

Source: Savills

# Commercial investment market

## Transactions in detail

TABLE 4  
Top 20 transactions of the month\*

Property / Portfolio	Location(s)	(Main) Type of property	Volume (€m)	Area (sq m)	Buyer	Seller
BayWa Hochhaus	München	Office	ca. 280	54,000	WealthCap Wealth Management Capital Holding GmbH	BayWa AG, Competo Capital Partners GmbH
Telekom Campus Überseering	Hamburg	Office	ca. 125	44,000	Amundi Real Estate (France)	TAS KG Immobilien- und Beteiligungsgesellschaft
Hainspitze	Leipzig	Retail	undisclosed	19,300	AXA Real Estate Investment Managers	Centrum, B & L Gruppe, First Invest Immobilien
DuMont-Zentrale	Köln	Office	undisclosed	44,000	BlueRock	DuMont
maincubes One Data Centre	Offenbach am Main	Special types of property	ca. 84	n/a	Keppel Corporation	maincubes
Teilprojekt - HC 34 (3 properties)	Hamburg	Retail	undisclosed	17,000	BMO Real Estate Partners	DC Commercial GmbH & Co.KG (DCC)
Hotel Rocco Forte Villa Kennedy	Frankfurt am Main	Hotel/gastronomy	undisclosed	19,300	GEG German Estate Group AG	Commerz Real AG
Solid (7 properties)	Düsseldorf, Nürnberg, Puchheim	Mixed-use property	ca. 60,	58,200	Beos AG	Valad Property Group
Weseler Straße 480	Münster	Office	undisclosed	36,000	Areo Holding	DAL Deutsche Anlagen-Leasing GmbH
Portfolio (5 properties)	i. a. Biebesheim, Groß-Gerau	Warehouses/Logistics	undisclosed	75,600	Global Gate Capital SA	Alpha Industrial GmbH & Co. KG
Technisches Rathaus	Leipzig	Office	ca. 57	45,100	TLG Immobilien GmbH	HVB Immobilien AG
Alter Kronprinzbau	Stuttgart	Retail	undisclosed	8,000	Hines Immobilien GmbH	DFH Deutsche Fond Holding
Anteil Kaufhof-Portfolio (41 properties)	n/a	Retail	undisclosed	25,400	Madison International Realty	Hudson's Bay Company (HBC)
Hyatt Place Frankfurt Airport	Frankfurt am Main	Hotel/gastronomy	undisclosed	19,400	Union Investment Real Estate GmbH	Feuring Hotelconsulting
Holiday Inn-Hotel Gateway Gardens	Frankfurt am Main	Hotel/gastronomy	ca. 49	12,000	Hansainvest - Hanseatische Investment GmbH	Münchner Grund Immobilien AG, Munich Hotel Invest
Portfolio (2 properties)	Freiburg	Hotel/gastronomy	undisclosed	n/a	PATRIZIA Immobilien Kapitalanlagegesellschaft mbH	Revitalis Real Estate AG, Dereco Real Estate
Portfolio (2 properties)	Langen	Office	undisclosed	40,000	unknown Other Fund Manager (North America)	unknown Private-Equity Fund (Europe)
Veybach-Center	Euskirchen	Retail	undisclosed	9,000	PATRIZIA Immobilien Kapitalanlagegesellschaft mbH	EH Netherlands Property 10BV
Konrad-Adenauer-Ufer	Köln	Office	undisclosed	8,000	Bank für Sozialwirtschaft (BFS)	Convalor, Pareto GmbH
Radisson Blu Hannover	Hannover	Hotel/gastronomy	undisclosed	22,400	BNP Paribas Real Estate Investment Management	HGA Capital Grundbesitz und Anlage GmbH

Source: Savills / \* only published transactions are shown, measured by volume

# Residential investment market

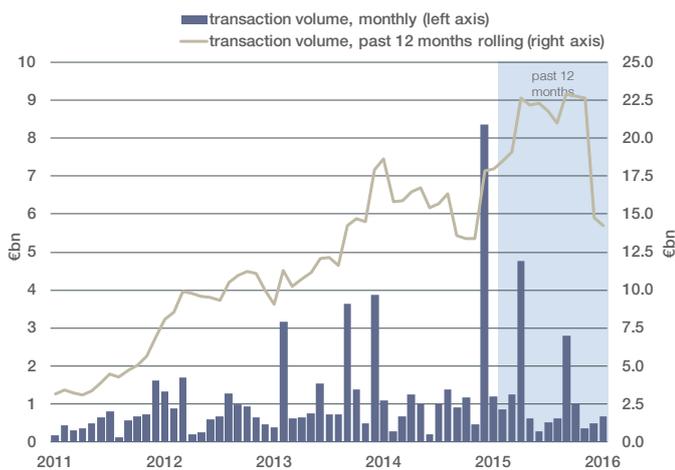
## Overview and market structure

TABLE 5 **Transaction volume and prices\***

	Transaction volume (€m, 12 months rolling)			Prices (€ per unit, 12 months rolling)		
	Mar 2016	against Mrz 2015	against Feb 2016	Mar 2016	against Mrz 2015	against Feb 2016
A-Cities	6,174	-8%	-9%	107,200	+22%	+4%
B-Cities	1,401	-66%	+4%	87,600	+54%	+7%
C-Cities	1,328	-22%	-1%	86,800	+32%	+1%
D-Cities	1,002	-29%	-1%	50,700	+19%	+/-0%
Other	4,338	+9%	+1%	54,400	+15%	-3%
Germany	14,243	-21%	-4%	75,600	+23%	+/-0%

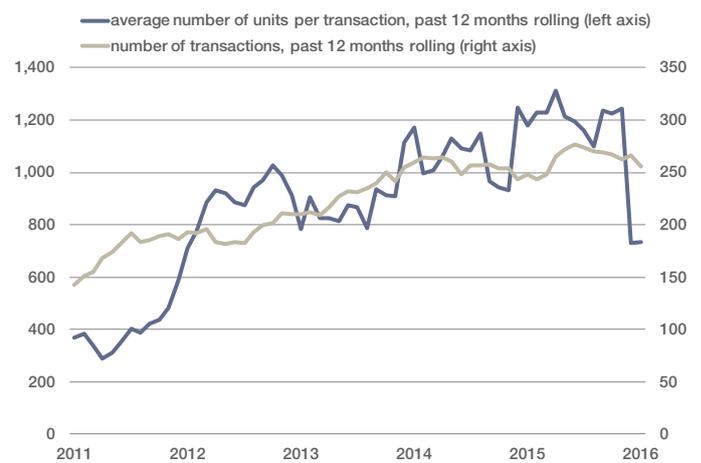
Source: Savills / \* City classification based on Bulwiengesa

GRAPH 9 **Transaction volume**



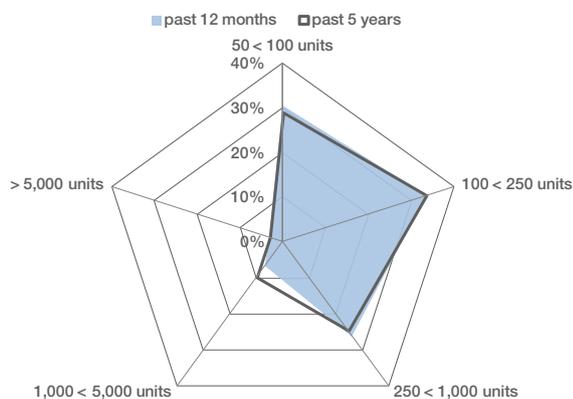
Source: Savills

GRAPH 10 **Deal size and number of transactions**



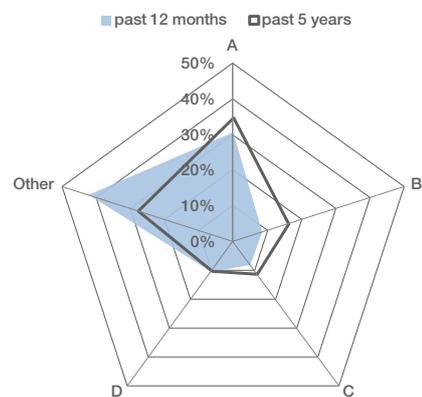
Source: Savills

GRAPH 11 **Number of transactions by size**



Source: Savills

GRAPH 12 **Traded units by city category\***

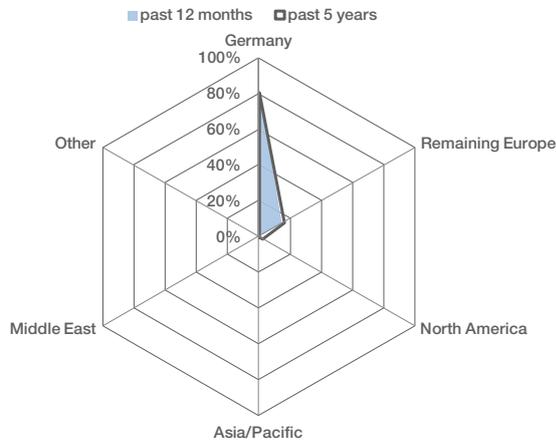


Source: Savills / \* based on the Bulwiengesa classification

# Residential investment market

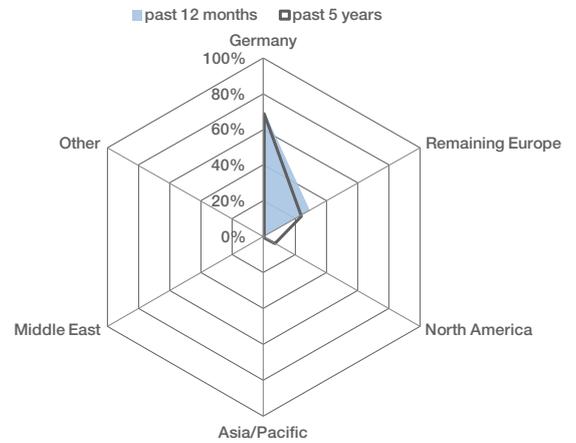
## Market players, prices and transactions in detail

**GRAPH 13**  
Transaction volume by origin of buyer



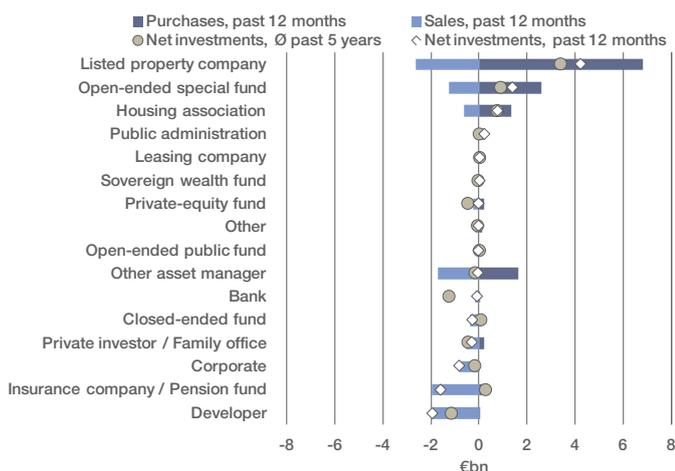
Source: Savills

**GRAPH 14**  
Transaction volume by origin of seller



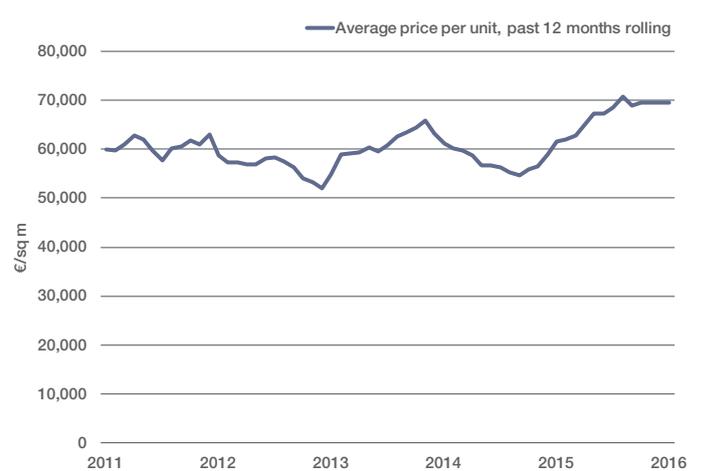
Source: Savills

**GRAPH 15**  
Transaction volume by type of investor



Source: Savills

**GRAPH 16**  
Development of prices



Source: Savills

**TABLE 6**  
Top 5 portfolio transactions of the month\*

Name of portfolio Location(s)	Number of units	Volume (€m)	Buyer	Seller
Residenz Berolina Berlin	undisclosed	undisclosed	Fonciere des Regions	Kronberg RE Deutschland, Ärztekammer Steiermark
n/a	2,700	ca. 103	unknown Investor (abroad)	Corestate Capital AG
Celle, Hameln, Uelzen, Wal-srode	1,019	undisclosed	Noctua Real Estate, unknown Other Investor (Germany)	Vonovia SE
Bremen	143	ca. 36	Industria GmbH	DS Bauconcept
Düsseldorf	433	undisclosed	Peach Property Group AG	unknown Unlisted Property Company

Source: Savills / \* only published transactions are shown, measured by volume

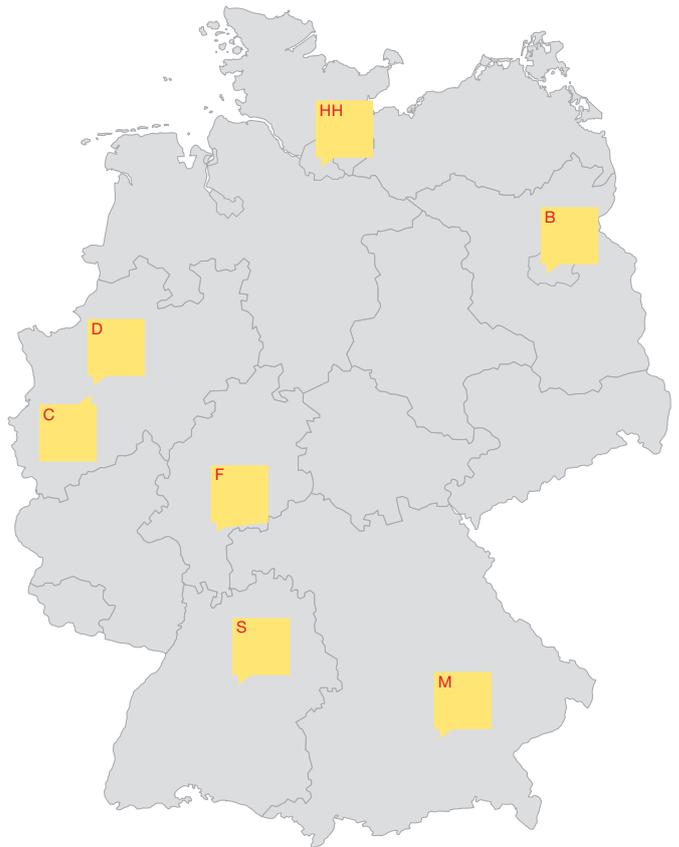
# Savills Germany

Savills is present in Germany with around 200 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. Today Savills provides expertise and market transparency to its clients in the following areas of activity:

## Our services

- » Purchase and sale of single assets and portfolios
- » Corporate Finance – Valuation
- » Leasing of office and retail buildings
- » Leasing and sale of industrial and warehouse properties
- » Landlord and Occupier Services

[www.savills.de](http://www.savills.de)



## Savills Germany

Please contact us for further information



**Marcus Lemli**  
CEO Germany  
+49 (0) 69 273 000 12  
mlemli@savills.de



**Andreas Wende**  
Investment  
+49 (0) 40 309 977 110  
awende@savills.de



**Marcus Mornhart**  
Office Agency  
+49 (0) 69 273 000 70  
mmornhart@savills.de



**Karsten Nemecek**  
Corp. Finance - Valuation  
+49 (0) 30 726 165 138  
knemecek@savills.de



**Draženko Grahovac**  
Corp. Finance - Valuation  
+49 (0) 30 726 165 140  
dgrahovac@savills.de



**Matthias Pink**  
Research  
+49 (0) 30 726 165 134  
mpink@savills.de



Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 30,000 employees worldwide. Savills is present in Germany with around 200 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart.

This bulletin is for general informative purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.  
© Savills April 2016

