BNP PARIBAS REAL ESTATE

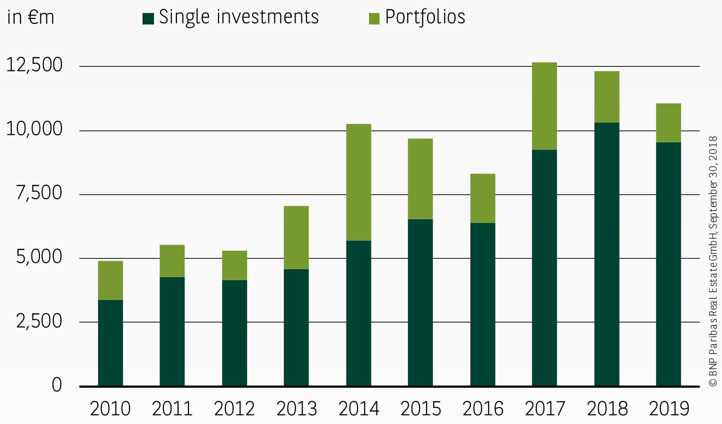
Real Estate for a changing world

RESEARCH

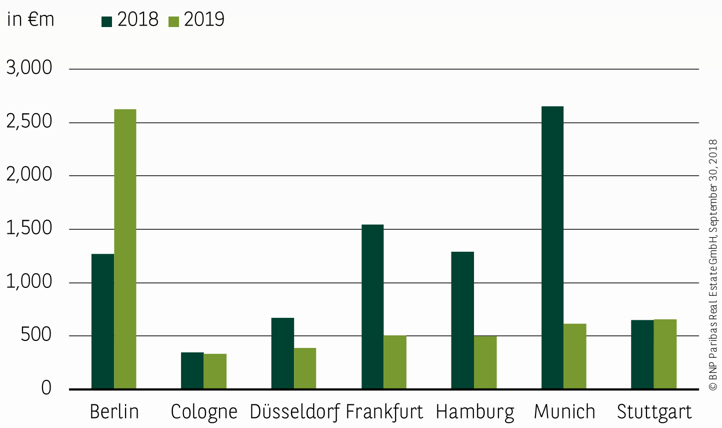
At a Glance Q1 2019

INVESTMENT MARKET GERMANY

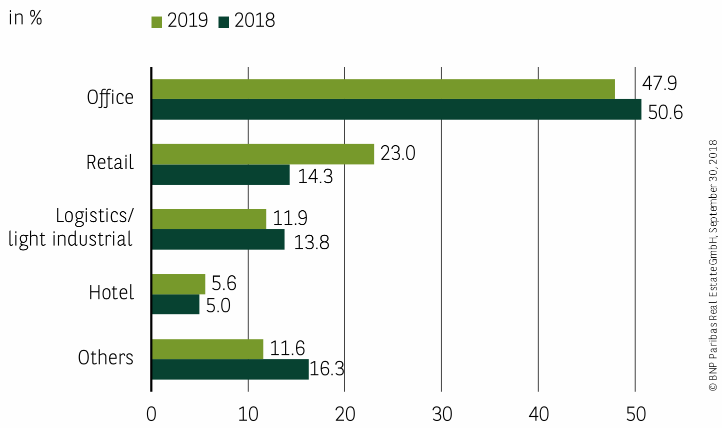
Investment volume in Germany Q1



Investment volume in the A-locations Q1



Investments by type of property in Germany Q1



ANOTHER STRONG START TO THE YEAR

In the first quarter of 2019, almost 11.1 billion € was invested in commercial real estate nationwide. This result is only 10 % below the extraordinary result of the previous year and represents the third-best transaction volume of the last twelve years. Individual transactions amount to almost 9.6 billion € and thus account for 86 % of the total volume. This is the second-best result of all time, only 8 % below the record level of the previous year. Portfolio sales, on the other hand, account for only around 14 %. With the exception of 2009 with its special framework conditions during the financial crisis, such a low share has never been registered before. Consequently, there are two main reasons for the slightly lower investment volume compared to the previous year: firstly, the previously under-proportional portfolio share, secondly, a massive product shortage at important locations such as Frankfurt, Munich or Hamburg.

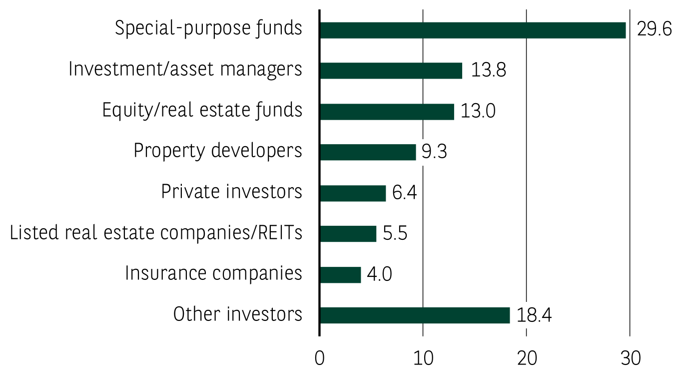
LACK OF SUPPLY SLOWS ACTIVITY AT THE A-LOCATIONS

As expected, the German A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) were unable to match the record set in the same period of the previous year. At a good 5.6 billion €, their volume is just under a third lower. However, Berlin developed against the trend, not only setting a new all-time high of 2.63 billion €, but at the same time more than doubling the already very good result of the previous year. In other cities, the current lack of a product, especially in the large-volume segment, has limited the result. This applies above all to Frankfurt (502 million €), Hamburg (500 million €) and Munich (617 million €). Düsseldorf also got off to a moderate start with 390 million €. By contrast, investments remained almost stable in Cologne at 330 million € (-5 %) and Stuttgart at 658 million € (+1 %).

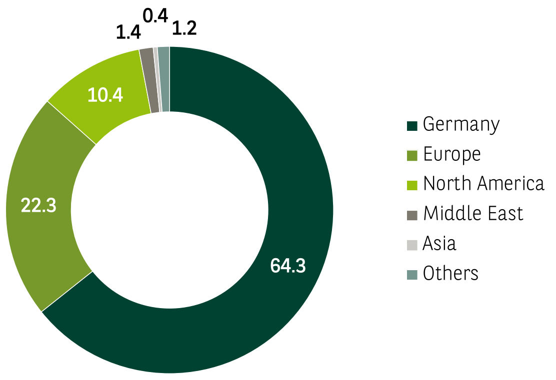
OFFICES ACCOUNT FOR ALMOST HALF OF THE TOTAL

By far the largest investments were once again made in office properties, which generated a volume of just under 5.3 billion €, a share of 48 % and the second-best result in the last twelve years. More turnover was achieved with retail properties, which amount to more than 2.5 billion € and account for almost a quarter of the transaction volume. Inner-city retail/office buildings and retail parks were particularly popular. Third place went to logistics investments, with a share of just under 12 % of the sum (a good 1.3 billion €). Hotel investments accounted for almost 6 % of total: at 617 million €, they were exactly the same as in the previous year.

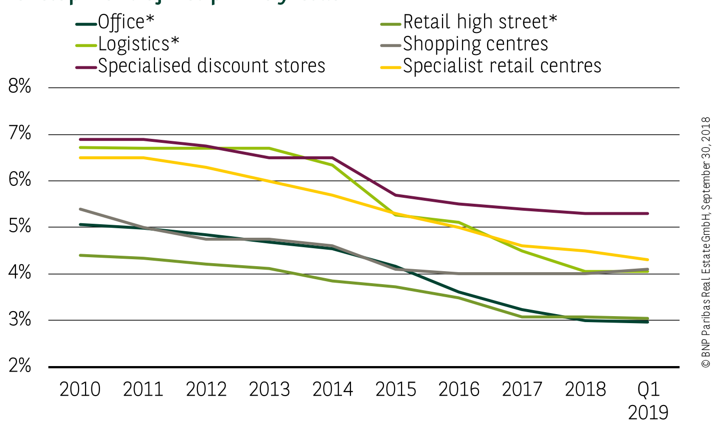
Investments by buyer group Q1 2019



Investments by origin of capital Q1 2019



Development of net prime yields



* Ø A-locations

SHARE OF FOREIGN INVESTORS RELATIVELY LOW

In the first quarter, the proportion of foreign buyers was 36 %, which is a relatively low level. This also reflects the comparatively low portfolio volume, as foreign investors are traditionally particularly active in this area - as it is the case in the first quarter, when their share of package sales is just under 73 %. European buyers have invested the most with 22 %, followed by North American investors, who come to a good 10 %. Buyers from Asia and the Middle East, on the other hand, have hardly played a role so far, which is also due to the insufficient supply of large-volume premium properties.

YIELDS IN SOME SEGMENTS STILL SLIGHTLY DOWN

After the strong yield compression of recent years, net prime yields showed a differentiated development in the first quarter. In Düsseldorf, Cologne and Stuttgart, office yields fell again by five basis points to 3.10 %, while they remained stable in Berlin (2.70 %), Munich (2.80 %), Frankfurt (2.95 %) and Hamburg (3.05 %). Highstreet properties in Berlin and Munich have declined to 2.80 %, but have not otherwise changed and are now 3.00 % in Hamburg, 3.10 % in Frankfurt and 3.20 % in Düsseldorf, Cologne and Stuttgart. Top yields for retail parks with high-rated tenants fell by 20 basis points to 4.30 %. They are thus approaching the shopping centres, which are growing slightly to 4.10 %. The figure for individual specialised discount stores is still 5.30 %.

PERSPECTIVES

The results of the first three months confirm the forecast made at the end of last year that 2019 will also be an above-average investment year. Historically low interest rates, very limited investment alternatives and Germany's proven stability, especially in difficult macroeconomic times, continue to form the main guidelines for an attractive environment. The fact that at the same time the occupier markets remain strong further strengthens investors' confidence in the German markets. Only the supply bottleneck, which is not surprising due to the very good investment turnover of previous years, could limit the transaction volume somewhat more than expected. Nevertheless, there is still a very good chance that the 50 billion € threshold will be surpassed again. Against this backdrop, it cannot be ruled out that the competition among investors for absolute, above all large-volume top investments will increase once again. The same therefore also applies to prime yields, which in isolated cases could fall slightly again in the further course of the year.

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