Real Estate
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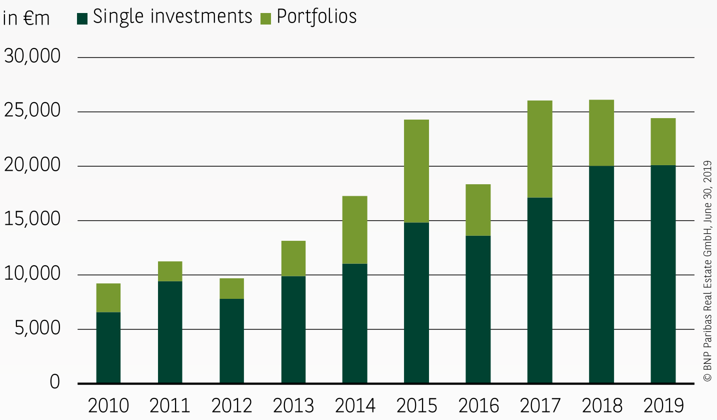
RESEARCH

At a Glance Q2 2019

INVESTMENT MARKET GERMANY

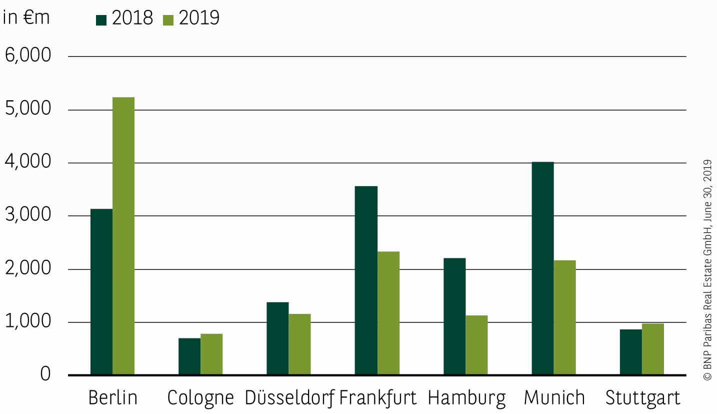
Investment volume in Germany H1



OVER €24.4 BILLION - NEW RECORD FOR SINGLE DEALS

In the first half of the year, more than €24.4 billion was invested in commercial real estate nationwide. This is only 6% below the previous year's result and represents the third-highest volume in the last twelve years. The investment markets defy a whole range of potential disruptive factors and continue to be characterised by strong national and international demand. Especially in a world of increasing economic and political uncertainty, real estate is one of the most profitable, least volatile and thus safest asset classes, despite high price levels. The strength of demand is underscored by the fact that the record volume of single deals set last year was exceeded once again. In total, a good €20.1 billion was invested in individual properties, accounting for around 82% of the total. At €4.3 billion, portfolio sales, on the other hand, are around 29% lower than in the previous year.

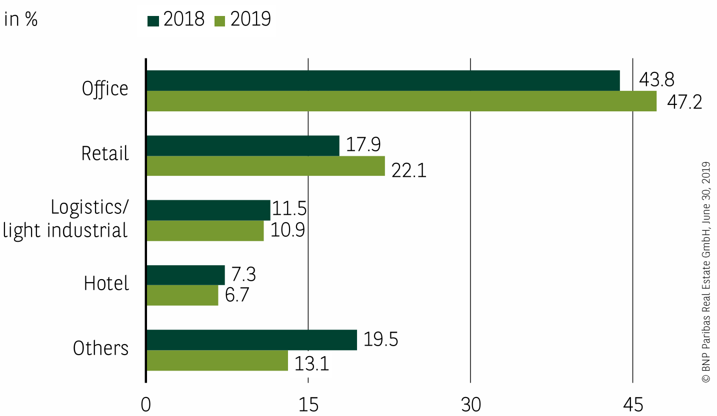
Investment volume in the A-locations H1



A-LOCATIONS ALSO WITH VERY GOOD RESULTS

Even though the A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) miss the previous year's record by 13%, €13.8 billion still represents the second-best volume in 10 years. In Berlin, with over €5.2 billion a new fable record was set. In second place comes Frankfurt with a good €2.3 billion. As the banking metropolis benefited from many major deals in 2018, the current result is about a third lower. The situation is similar in Munich with €2.2 billion, which corresponds to third place in Germany. Düsseldorf records the second-best result of all times with just under €1.2 billion. Hamburg shows the strongest decline, with a good €1.1 billion almost halving the former figure. In Stuttgart, a new all-time high of €977 million (+13%) was achieved, and Cologne also increased by 11% to €781 million.

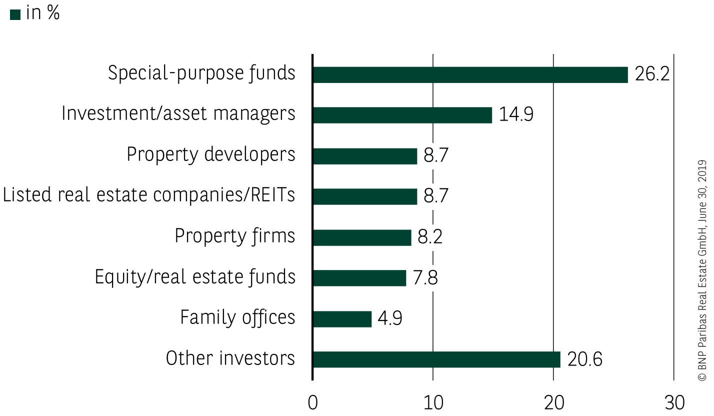
Investments by type of property in Germany H1



OFFICES MOST POPULAR BY FAR

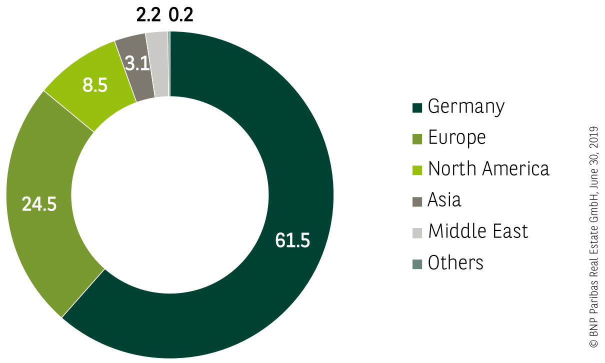
Office buildings account for a good €11.5 billion or almost half of the turnover, which puts them in first place. Only a small proportion (€230 million) of this is attributable to portfolio sales. However, this value should increase further due to some large transactions. Retail properties are ranked second at €5.4 billion (22%), with the complete takeover of Galeria Karstadt Kaufhof having a disproportionate impact. The management trio is completed by logistics, which are responsible for €2.67 billion (11%). Similar to retail real estate, they have a comparatively high portfolio share. Hotels contribute almost 7% (€1.63 billion) and have thus stabilised at the significantly higher level of recent years.

Investments by buyer group H1 2019

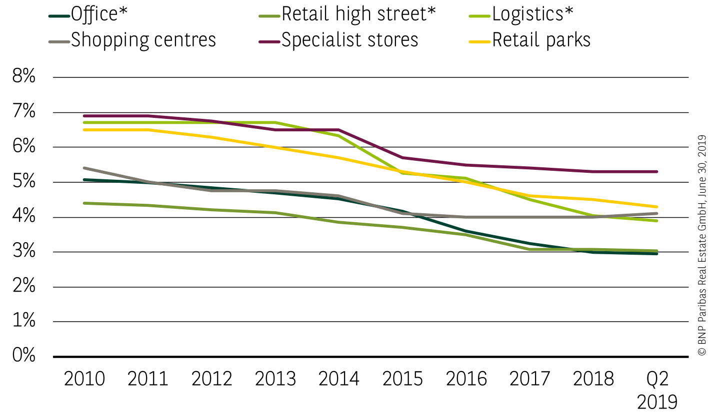


Investments by origin of capital H1 2019

in %



Development of net prime yields



* Ø A-locations

SHARE OF FOREIGN INVESTORS SLIGHTLY HIGHER

Although the proportion of foreign buyers has risen slightly, it is still relatively low compared with the long-term figure of just under 39%. In absolute terms, however, at around €9.4 billion they invested around a quarter more than the long-term average. This can be interpreted as an indication that their interest remains high as soon as a suitable product is on the market. The most active were Europeans, who contribute just under a quarter, followed by North American investors, who account for a good 8%. Investors from Asia (3%) and the Middle East (2%) lag behind their previous year's results.

LOGISTICS PRIME YIELDS DECLINE ONCE AGAIN NOTICEABLY

In the second quarter, prime yields for offices were largely stable. Only in Hamburg the net prime yield has fallen by 10 basis points to 2.95% and is now at the same level as in Frankfurt. Berlin remains the most expensive location with an initial net yield of 2.70%, ahead of Munich with 2.80%. Outside the four absolute top locations, i.e. Cologne, Düsseldorf and Stuttgart, they are still quoted at 3.10%. No changes can be observed for high street properties either. In Berlin and Munich they are 2.80%, in Hamburg 3.00%, in Frankfurt 3.10% and in Düsseldorf, Cologne and Stuttgart 3.20% each. On the other hand, net prime yields for logistics properties, which are now listed at 3.90% in the major hubs, have fallen. Shopping centres (4.10%), retail parks (4.30%) and individual specialist stores (5.30%) remained unchanged.

PERSPECTIVES

Strong demand and a dynamic development of the investment markets can also be expected for the second half of the year, which will be positively influenced by various factors. On the one hand, this is the financing environment, which has been very favourable for some time, while at the same time there are limited alternative investment opportunities with comparable return prospects. On the other hand, there is also the continuing tailwind from the occupier markets. In the first half of the year, office take-up reached a new record high, while rents rose across a broad front. From the investor's point of view, real estate investments continue to be very attractive and the relatively high prices are also justified. In addition, it should be noted that the portfolio volume, which has so far been relatively restrained, will pick up noticeably in the second half of the year as a number of large-volume packages are on the market. Together with an unabatedly lively transaction activity with individual properties, a very high investment turnover is therefore also to be expected for the year as a whole, which should clearly exceed the €50 billion threshold. Against this background, it cannot be ruled out that yields could fall again slightly in individual cases.

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Further Information BNP Paribas Real Estate GmbH | Sven Stricker, Co-Head Investment | Phone +49 (0)30-884 65-0 | sven.stricker@bnpparibas.com | www.realestate.bnpparibas.de