

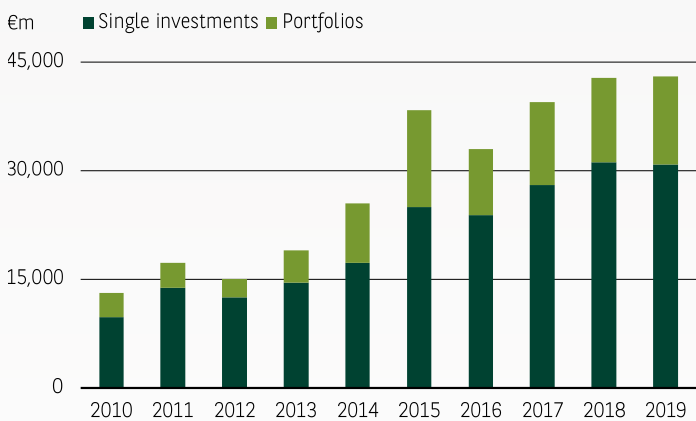


RESEARCH

At a Glance **Q3 2019**

INVESTMENT MARKET GERMANY

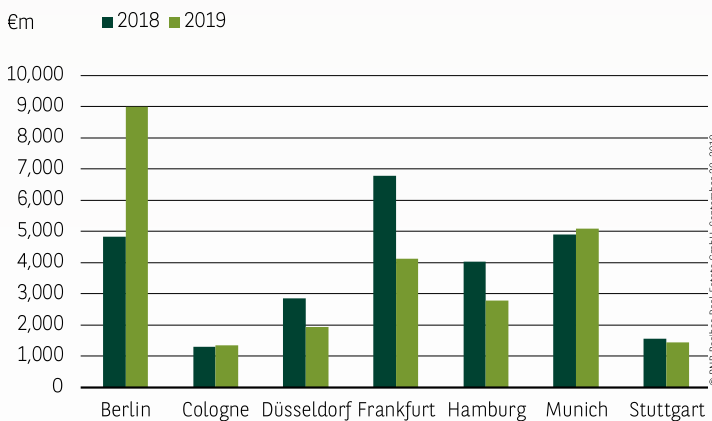
Investment volume in Germany Q1-3



PREVIOUS YEAR'S RESULT AGAIN EXCEEDED: €43.1 BILLION

Just under €43.1 billion was invested in commercial real estate in the first three quarters of 2019. The result is thus slightly above the already extraordinary previous year's turnover. Only in the first three quarters of 2007 the transaction volume was even higher. Taking into account investments in residential real estate (30 units and more), which amount to €13.6 billion, this results in a turnover of almost €56.7 billion. So far, the weakening economy has thus not been reflected on the investment markets. The same applies to a whole series of global risk factors; these too have not reduced buyer interest. Individual deals account for a good €30.8 billion, only 1% less than in the previous year, when a new record was set. This means that their share of the total transaction volume has decreased somewhat, but still amounts to almost 72%. In contrast, portfolio sales, which contribute €12.25 billion to the total, increased by 5%.

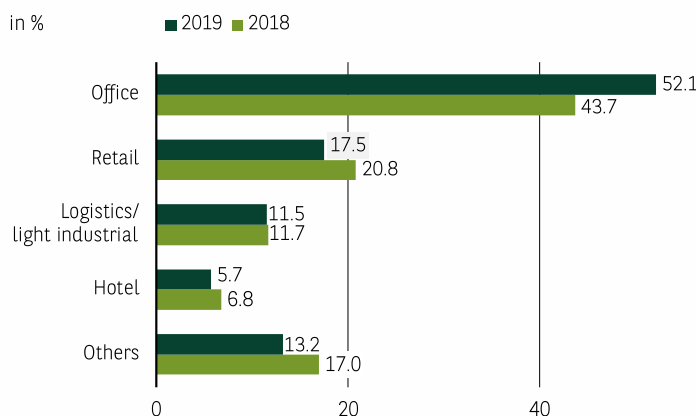
Investment volume in the A-locations Q1-3



A-LOCATIONS STRONG AS WELL

The German A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) contribute a good €25.7 billion and thus 60% of the transaction volume. This result is only marginally (-2%) below the record level of the previous year. There is no stopping Berlin, where properties worth €9 billion have already found new owners, almost doubling the previous year's figure once again. Turnover also developed positively in Munich, where €5.08 billion represents the second-best result ever. The Cologne market also performed brilliantly with just under €1.36 billion. Frankfurt comes third in the nationwide ranking with a good €4.13 billion. Too little product is the decisive reason for the lower results in Hamburg with €2.78 billion and Düsseldorf with €1.93 billion. Stuttgart performed well with a good €1.43 billion and achieved the second-best result of all time.

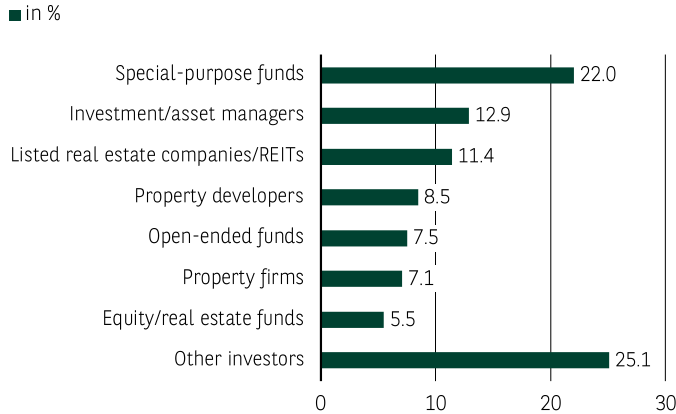
Investments by type of property in Germany Q1-3



OFFICES CONTRIBUTE MORE THAN HALF TO THE RESULT

With a good 52% share of turnover, office properties are by far at the top of the list. The €22.4 billion achieved represents a further increase of 20% over the previous year. Second place goes to retail properties with a good €7.5 billion, which corresponds to a decline of 15%. The adjustment processes in the retail segment have not yet been completed, which is also reflected in the investment markets. At €4.97 billion and a share of 11.5%, logistics properties are almost at the same level as in the previous year and have thus stabilised at a significantly higher level than in the past. Hotel sales are almost 16% lower and contribute €2.46 billion.

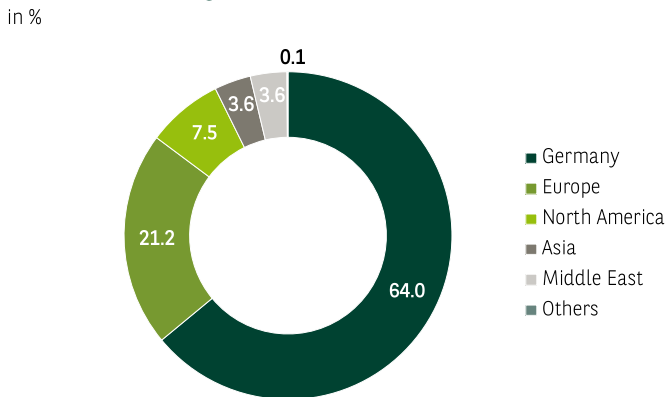
Investments by buyer group Q1-3 2019



SHARE OF FOREIGN INVESTORS RELATIVELY STABLE

The share of foreign buyers is relatively stable. Overall, they contribute around 36% to the volume and are thus slightly below the long-term average. With regard to the origin of the buyers, the basic structures remain unchanged. At the top are European investors with a good 21%, followed by North American buyers with 7.5%. The participation of Asian investors and buyers from the Middle East, who each account for just under 4%, is somewhat lower. However, there is much to suggest that this share will increase in the course of the year.

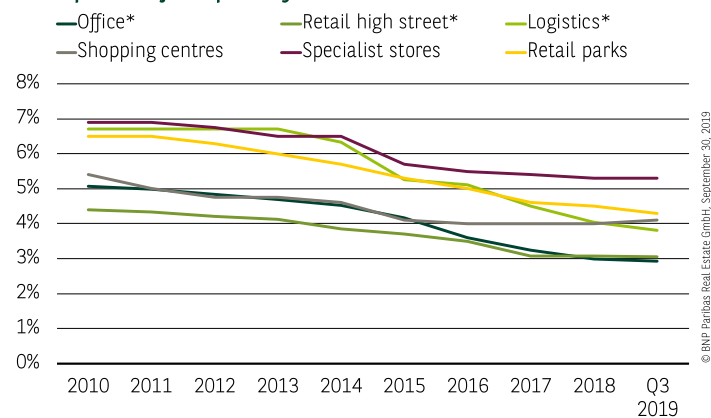
Investments by origin of capital Q1-3 2019



YIELDS CONTINUE TO DECLINE

The high market momentum is reflected in a further drop in office net prime yields. In Berlin, Munich, Frankfurt and Hamburg, they fell by a further five basis points in the third quarter. Berlin remains the most expensive location (2.65%), followed by Munich with 2.75% and Frankfurt and Hamburg with 2.90% each. Outside the four top locations, i.e. in Cologne, Düsseldorf and Stuttgart, they remained stable at 3.10%. The clearest yield compression is recorded for logistics properties, which are currently at 3.80%. At 2.80% each, retail high street properties in Munich and Berlin have risen slightly in price compared to 12 months ago, thus widening the gap to Hamburg (3.00%), Frankfurt (3.10%) as well as Düsseldorf, Cologne and Stuttgart (all 3.20%). In the case of retail parks, they have fallen by 20 basis points to 4.30% since the end of 2018. This brings them closer to shopping centres, which have gained 10 basis points and are listed at 4.10%.

Development of net prime yields



PERSPECTIVES

The dynamics of the investment markets will continue in the last three months. The main reasons for this are the very attractive financing conditions that have persisted for some time and the still scarcely available investment alternatives that offer acceptable returns on equity with a manageable risk profile. As long as one of the current global trouble spots does not get out of control, real estate will remain one of the most important investment goals, especially for major investors. This is not least true in a comparatively stable economy like Germany. If one also takes into account the fact that a whole series of large-volume individual and portfolio deals are on the home straight, an exceptionally high transaction volume can once again be assumed. For the year as a whole, an investment turnover of between €58 billion and €60 billion is expected from today's perspective. However, it is also possible to exceed the €60 billion threshold again. Against this background, a further slight yield compression in the current year cannot be ruled out for one or the other location.

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