



At a Glance **Q3 2019**

# INVESTMENT MARKET LEIPZIG

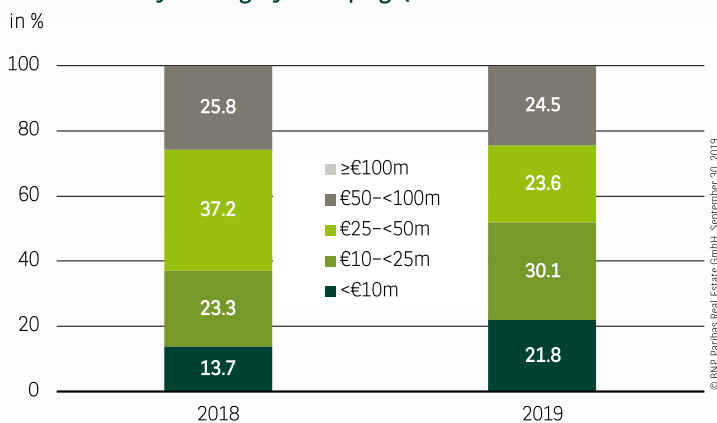
## Investment volume in Leipzig



## INVESTMENT ACTIVITY STILL SUBDUED

At the end of the third quarter of 2019, the transaction volume in Leipzig amounted to €458 million, 12% below the previous year's result. At the same time, the 5-year average was missed by almost 32%. This result is mainly based on two circumstances: Firstly, in contrast to the strong investment years 2015 to 2017, in which more than 50 deals were counted up to the end of the third quarter, only about 36 deals have been concluded so far. On the other hand, there are still no large-volume transactions that would have been necessary for a higher overall result. This development can mainly be explained by the bottleneck on the supply side, as the current high price level indicates an unbroken strong investor interest in Leipzig properties. Should a corresponding offer come onto the market in the next few quarters, it can therefore be assumed that investors will mobilise quickly and that further deals will be concluded.

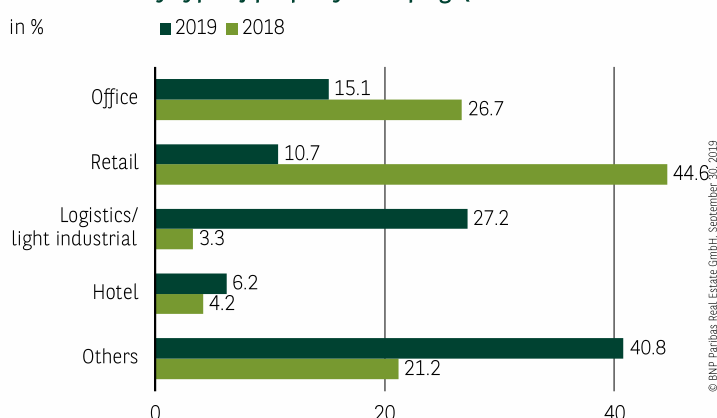
## Investments by € category in Leipzig Q1-3



## NO MAJOR DEALS OVER €100 MILLION SO FAR

The distribution of investment turnover shows a similar picture as in the previous year. Due to the absence of deals in excess of €100 million, the volume is distributed entirely among the four other size classes. It should be emphasised that the two categories up to €25 million account for more than 50% of the total in the first nine months of the year and have therefore gained in importance compared with the middle of the year. The remaining volume is divided almost equally between the €25 to €50 million size class with a share of just under 24% and the €50 to €100 million segment with 24.5%.

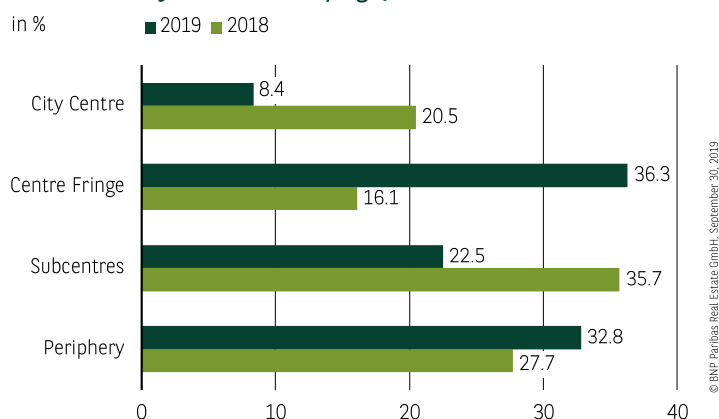
## Investments by type of property in Leipzig Q1-3



## ALTERNATIVE ASSET CLASSES DOMINATE

At just under 41% the 'Other' types of property account for an unusually high share of the investment result. This substantial contribution is due to numerous deals involving development sites, multi-storey car parks and mixed-use properties. The second important component of the result is the logistics asset class, which accounts for the largest share of the result in a long-term comparison at a good 27%. The traditionally strong office (15%) and retail (11%) properties, on the other hand, cannot match the importance of recent years. This distribution shows that investors are currently forced to resort to other types of real estate due to the shortage of office and high-street properties.

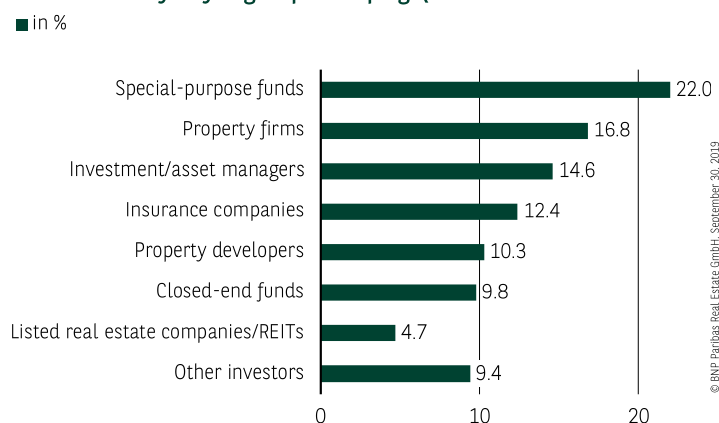
## Investments by location in Leipzig Q1-3



## ➤ SHIFT IN MARKET ACTIVITY

Due to the outlined supply shortage of office and retail properties, which are usually to be found in central locations, market activity in the Saxon metropolis mainly takes place outside the City Centre. At just over 8%, the City Centre has the lowest investment share of the last ten years. As a result, more than 90% of Leipzig's investment activities are concentrated in the other market areas. The winners of this shift are in particular the Centre Fringe (a good 36%) and the Periphery (just under 33%), which were also able to increase compared to the previous year. A substantial share (22.5%) is also contributed by the Subcentres, but they have to accept a decline in significance compared to the previous year.

## Investments by buyer group in Leipzig Q1-3 2019



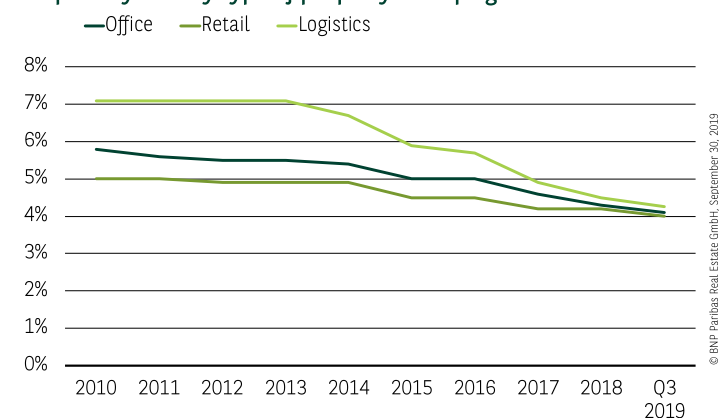
## ➤ MANY BUYER GROUPS SHOW INTEREST

The high level of interest shown in real estate in the fair city by various investors is reflected in the distribution among the individual buyer groups. As of the end of the third quarter, no fewer than five investor types have made a double-digit contribution to the investment volume. Special-purpose funds lead with 22%, followed by property firms (just under 17%) and investment/asset managers (just under 15%). One example of the activities of special-purpose funds is Quantum's purchase of the new long-distance bus terminal and multi-storey car park at the main railway station for the "City Parking" special fund. In comparison with the first half of the year, insurance companies now also participated considerably in the Leipzig market with a good 12%.

## ➤ YIELD COMPRESSION PROGRESSES

After the yield compression had lost some of its momentum at the beginning of the year, it was again noticeable across all asset classes at the end of the third quarter. The net prime yield of office properties fell by 20 basis points compared with the end of last year and currently stands at 4.10%. The yield on high-street investments, which has been stable since 2017, also decreased by 20 basis points to 4.00%. The largest decline in yields is evident for logistics properties. Compared with the end of 2018, the yield fell by 25 basis points and is currently quoted at 4.25%. Nevertheless, the Leipzig yields are still above the values of the A-locations.

## Net prime yields by type of property in Leipzig



## ➤ PERSPECTIVES

At the end of the third quarter a moderate result can be reported on the Leipzig investment market, which was mainly influenced by the lack of supply. As a reaction, investors are increasingly turning to alternative forms of investment outside the city. Against the background of the general increase in activity on the real estate market in the final quarter, we can look optimistically to the end of the year.

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