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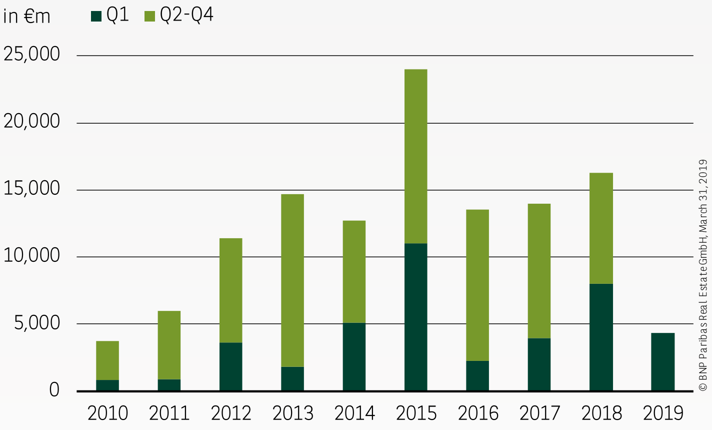
RESEARCH

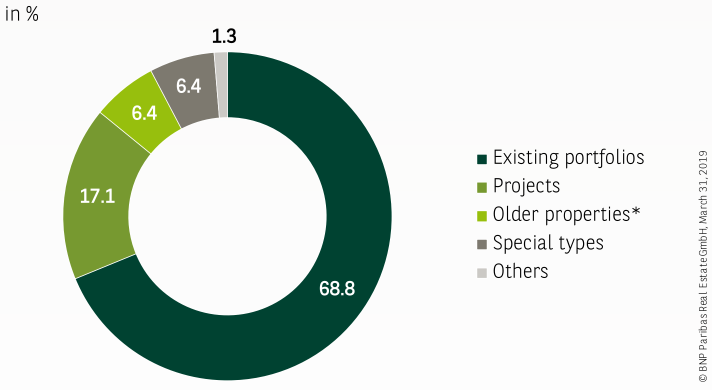
At a Glance Q1 2019

RESIDENTIAL INVESTMENT MARKET GERMANY

Investment volume residential portfolios

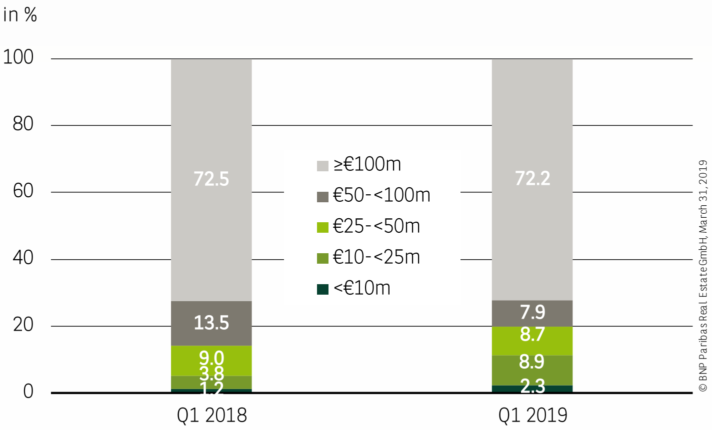


Investments by asset class Q1 2019



* Block sales in one location

Investments by size category



ABOVE-AVERAGE RESULT

The investment volume with larger residential portfolios (from 30 residential units) amounted to just under 4.4 billion € in the first quarter of 2019. Compared to the exceptional result in the same period of the previous year, this represents almost a halving. However, a look at past years helps to better classify the result: Compared with the last decade, the start of the year was slightly above the average (+4 %), and in a long-term comparison up to 2005 the result even exceeded the long-term average by almost a quarter. While in the previous year alone the takeover of the Austrian Buwog by Vonovia and its German stocks alone benefited the result with more than 2.7 billion €, so far significantly fewer large-volume contracts have been registered. A total of more than 60 deals with more than 30,000 housing units were included in the analysis. The average price per sale was around 70 million €, well below the previous year's figure (-27 %).

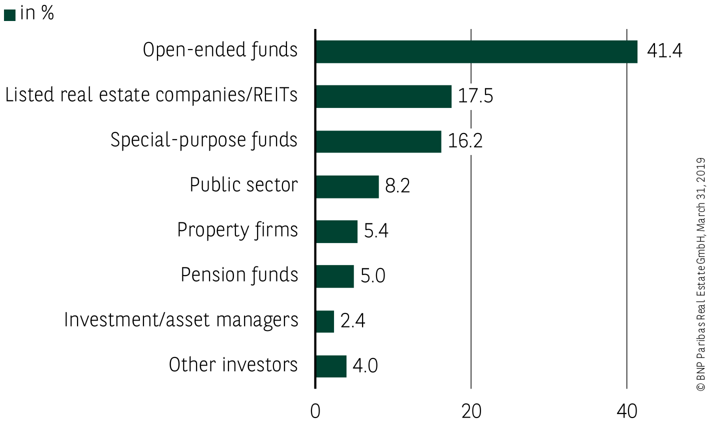
EXISTING PORTFOLIOS GENERATE TURNOVER

Large existing portfolios continue to account for the bulk of the residential investment volume. Once again, they are responsible for more than two thirds of overall result. However, this does not mask the trend that project developments are still on the advance. In the first quarter of 2019, they continue to be a key pillar of the residential investment market, accounting for a good 17 % of the result. At over 740 million € in absolute terms, the previous year's record was not broken (-46 %), but the long-term average was exceeded by around 37 %. Investors are not only focusing on the large metropolises and their suburbs. The demand for this asset class is also extraordinarily high in many B- or C-locations and conurbations. The same applies to special types such as student housing or micro-apartments, which contribute a good 6 %, as do older portfolio properties.

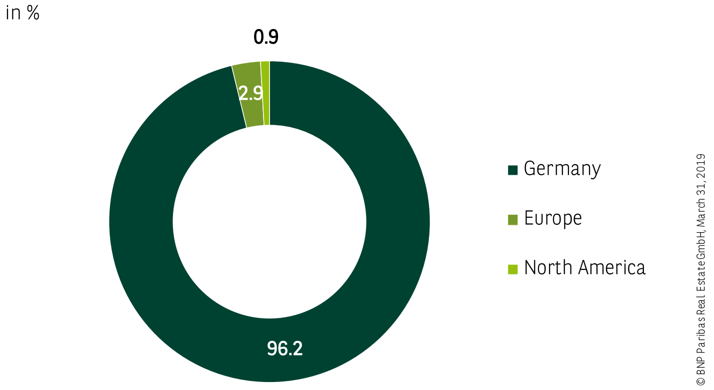
DISTRIBUTION SIMILAR TO PREVIOUS YEAR'S QUARTER

Despite the lack of larger portfolios and the resulting lower investment turnover, the distribution of the investment volume by size class is essentially similar to that of the previous year. Transactions in the three-digit million range account for around 72 % of the total. This is primarily due to the sale of large existing portfolios. The segments between 10 million € and 100 million € all hold quite similar shares, each with between just under 8 % and 9 %.

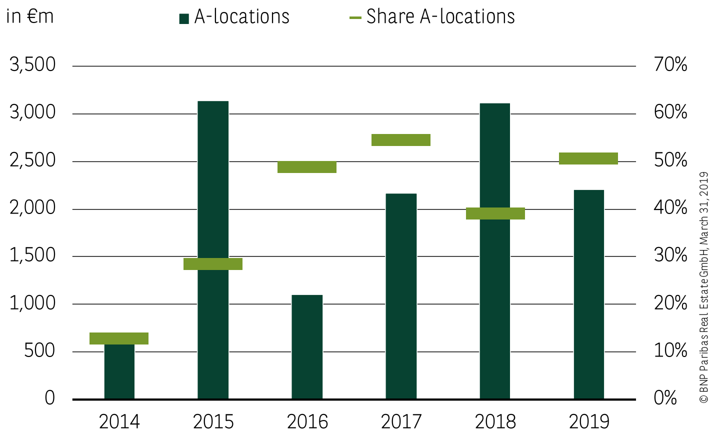
Investments by buyer group Q1 2019



Investments by origin of capital Q1 2019



Investment volume A-locations and share of total volume



OPEN-ENDED FUNDS IN 1ST PLACE

In contrast, the distribution of the investment volume among the various buyer groups is rather unusual. Whereas in the past it was mostly listed real estate companies/REITs or special-purpose funds that led the rankings, they currently have to settle behind open-end funds (41 %) for second and third place (just under 18 % and a good 16 % respectively). Due to the short observation period, this is only a snapshot, which is likely to change again in favour of the second and third places in the coming months. The public sector (8 %) as well as property firms and pension funds also make notable contributions with around 5 % each.

GERMAN INVESTORS CONTINUE TO CATCH UP

Compared to the commercial investment market, the residential investment market is characterised to an even greater extent by domestic investors. The current figures confirm this once again impressively: with a share of over 96 %, almost exclusively German investors came into play in the first three months. Admittedly, however, a snapshot can also be assumed here, which is likely to relativise itself in favour of foreign buyers in the further course of the year, especially those from other European countries.

HALF OF INVESTMENT VOLUME AT A-LOCATIONS

Half of the investment turnover is accounted for by the A-locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart), which confirms the continuing importance of these cities. However, the fact that around 50 % of the volume was generated outside the metropolises also underlines the overall broad demand in the market. Among the A-locations, Berlin is and remains the ultimate with a volume of more than 1.1 billion €. This means that residential portfolios in the capital account for more than a quarter of the nationwide volume. In Düsseldorf, Frankfurt, Hamburg and Cologne, on the other hand, the totals are significantly lower in a range between 200 and 300 million €.

PERSPECTIVES

The excess demand on the German residential investment market continues. Not only the large metropolitan areas, but also economically strong large and medium-sized cities are in demand. Against the backdrop of tense tenant markets in many regions, everything continues to point to lively demand for German residential investments. The extent to which a result above the 15 billion € mark can be achieved by the end of the year depends primarily on the supply side and in particular on the large-volume segment.

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