

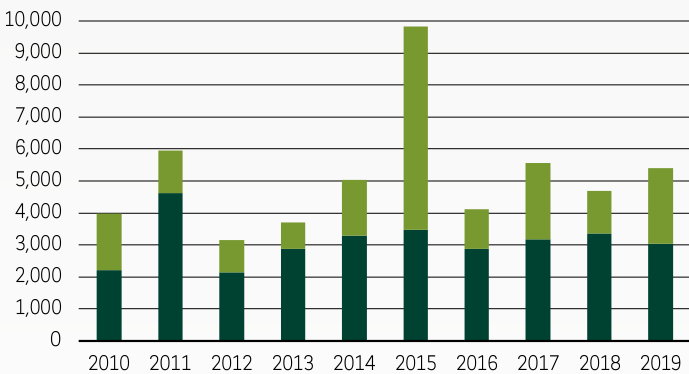


At a Glance **Q2 2019**

# RETAIL INVESTMENT MARKET GERMANY

## Retail investments in Germany H1

in €m ■ Single investments ■ Portfolios



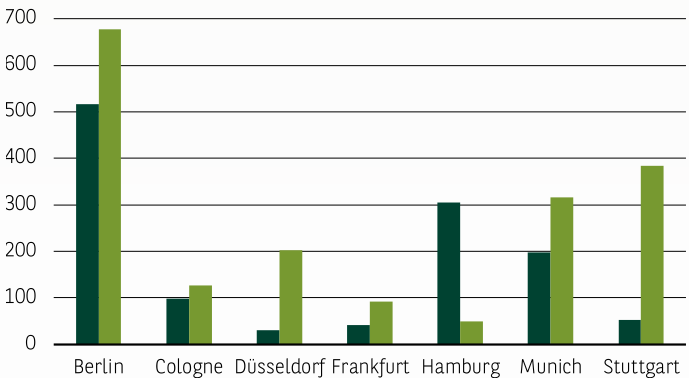
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## ➤ HALF-YEAR RESULT BETTER THAN 2018 AND ABOVE AVERAGE

Even in times of e-commerce, retail investments are the second most important pillar of the commercial investment market after the office segment. At 22%, they are not only increasing their share compared with the other asset classes; with € 5.4 billion in the first half of the year they are also topping the result for the comparable prior-year period by 15% and the long-term average by 5%. It is pleasing to note that individual deals in the past five years have been characterised by a high degree of stability and have moved within a relatively small range between around €2.9 million and just under €3.5 million, which underlines the constant demand situation. In the first six months, a total of €3.04 billion was generated with individual transactions (56% of total investment volume). Nevertheless, it should be pointed out that the positive overall balance would not have been possible without the final takeover of the remaining Galeria Karstadt Kaufhof shares by Signa Holding, which account for slightly more than one fifth of the result.

## Retail investments in the A-locations H1

in €m ■ 2018 ■ 2019



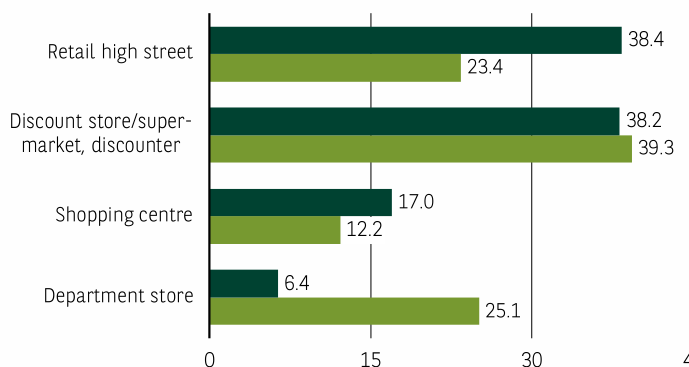
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## ➤ A-LOCATIONS: SECOND-BEST RESULT SINCE 2015

At €1.85 billion, not only the second-highest volume compared to the last five years, but also the highest share of turnover (34% of the nationwide result) was registered in the A-locations in the first half of the year. This is a clear indication that investors appreciate the security of the large metropolises, especially in the high street segment, against the backdrop of the general conditions in the retail sector that are difficult to forecast. In a city comparison, six out of seven A-cities improved their results compared to 2018, with Berlin (€678 million), Stuttgart (€384 million), Munich (€316 million) and Düsseldorf (€202 million) leading with significant increases in volumes, while Cologne (€127 million) and Frankfurt (€92 million) achieved slightly more and less than €100 million respectively. Only in Hamburg (€49 million) the first half was rather subdued, but this can be seen as a snapshot in view of the properties still in the pipeline.

## Retail investments by type of property H1

in % ■ 2018 ■ 2019



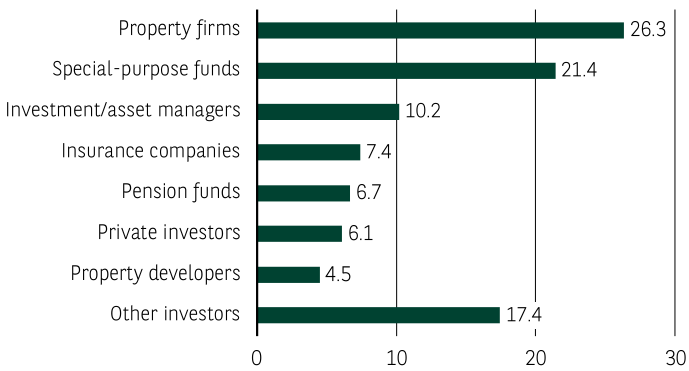
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## ➤ THREE TYPES OF ASSET CLASSES WITH MORE THAN 20%

Demand for the retail warehousing segment (a good 39% of the total) is maintaining its high level, fed by the individual deal segment (57%) and the portfolio segment (43%), and is primarily located outside A-cities. However, department stores (25%) and high street buildings (23%) also achieve above-average shares in a long-term comparison. In the shopping centre segment, only a few properties changed owners (12%).

**Retail investments by buyer group H1 2019**

in %

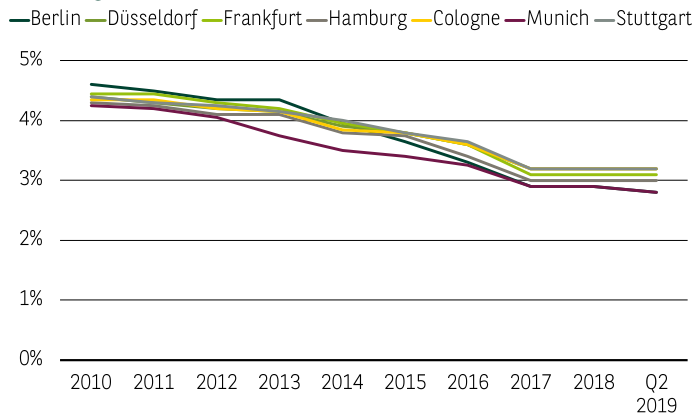


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**PROPERTY FIRMS AT THE TOP**

The acquisition of the remaining Galeria Karstadt Kaufhof shares by Signa puts property firms (a good 26%) at the top of the investor list. Apart from this, special-purpose funds underline their market dominance in the retail segment with a good 21% of the volume and 23% of all deals. A good 84% flowed into the big box sector, to which the sale of the Duckwitz retail park in Bremen or the Ostsee Park in Lambrechtshagen contributed, among other things. Investment/asset managers (a good 10%), insurance companies (more than 7%), pension funds and private investors (each between 6% and 7%) as well as property developers (almost 5%) also contribute more to the overall result. The diversification of the demand structure is illustrated by the fact that a good 17% of turnover was generated by all other types of investors. The share of international investors is comparatively high with 44%, but this was also fuelled by the Austrian Signa Holding.

**Retail high street net prime yields in the A-locations**



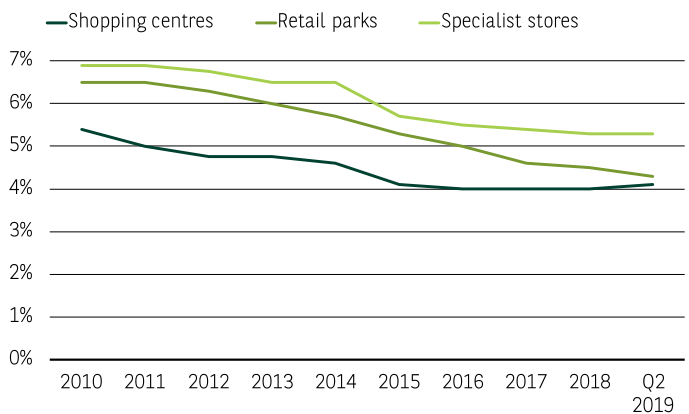
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**GAP OF SHOPPING CENTRES AND RETAIL PARKS NARROWS**

While net prime yields have stagnated after years of decline in most A-locations since 2017, yield compression in the two most expensive markets of Berlin and Munich has not yet been fully completed: At 2.80% each, high street properties in the top locations of the Bavarian metropolis and the capital have again become more expensive compared to the previous year, thus widening the gap to Hamburg (3.00%). Frankfurt remains on the heels of the Hanseatic city (3.10%) and maintains its position ahead of Düsseldorf, Cologne and Stuttgart (all 3.20%).

A differentiation by asset types reveals contrasting developments: For well-functioning retail parks with good transport connections and tenants with strong credit ratings who are valued by many investors as an investment alternative to high street investments, net prime yields have fallen by 20 basis points to 4.30% since the end of 2018. This reduces the gap to the shopping centers, for which the prime yield increased by 10 basis points to 4.10%.

**Net prime yields by type of property**



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**PERSPECTIVES**

The retail investment market ended the first half of the year with a good interim result, from which some positive findings can be derived: The excellent results of the A-locations are particularly pleasing in the high street segment, while the retail warehousing segment, as the most important pillar of the overall market, primarily provides the setting for investors outside the A-cities. This results in a broad range of different investors with very differentiated profiles, who are still waiting for attractive investment opportunities and are likely to generate a full-year result in line with the long-term average.

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