BNP PARIBAS REAL ESTATE

Real Estate
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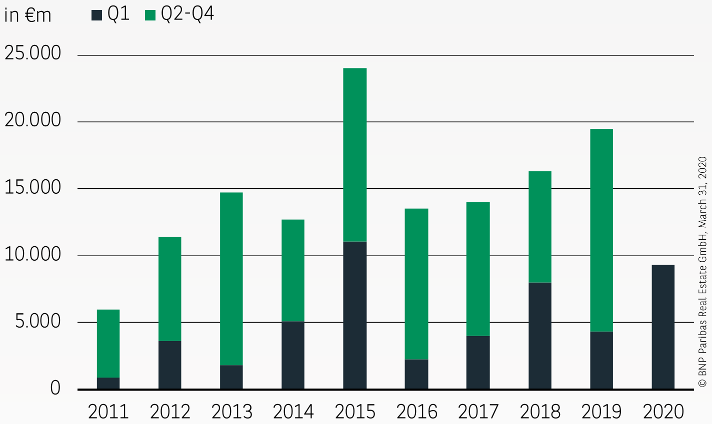
RESEARCH

At a Glance Q1 2020

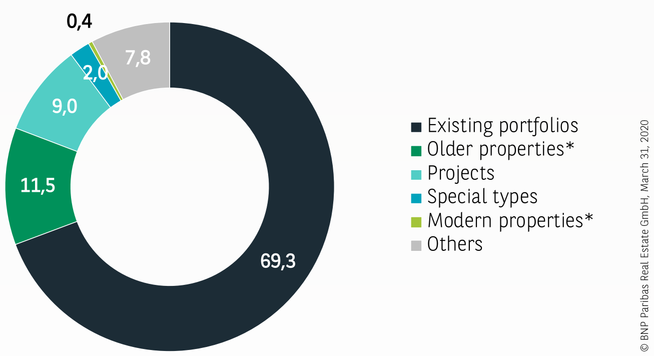
RESIDENTIAL INVESTMENT MARKET GERMANY

Investment volume residential portfolios



Investments by asset class Q1 2020

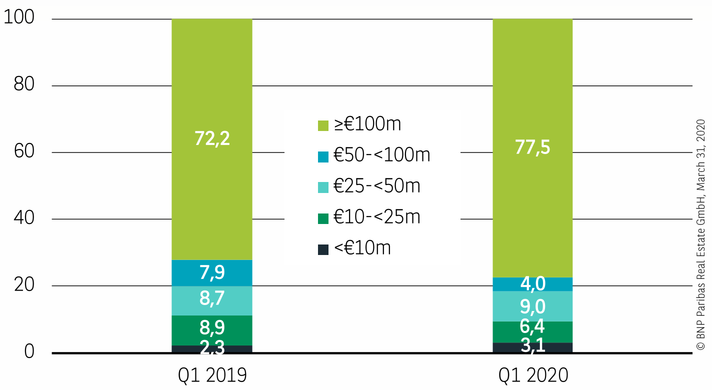
in %



* Block sales in one location

Investments by size category

in %



ADLER TAKEOVER BOOSTS THE RESULT

The investment volume with larger residential portfolios (30 residential units and more) amounted to a good €9.3 billion in the first quarter of 2020, more than double the figure for the same period of the previous year. The long-term average of around €5 billion was also exceeded by far. An even better start to the year was only recorded in 2015, driven by the purchase of Gagfah. In the first quarter of 2020, the outstanding result is yet again largely due a specific major deal. In fact, the acquisition of Adler Real Estate by ADO Properties contributed significantly more than half to the result. However, two factors should be positively emphasized: On the one hand, in most of the previous years there were also several mega-transactions, which had a significant impact on the result, such as for example the purchase of Gagfah in Q1 2015 and the takeover of Austrian Buwog in Q1 2017. On the other hand, it should also be noted that the beginning of the year can be considered as a good start even without taking into account the volume of the Adler takeover. This is also confirmed by the number of transactions, which at over 120 is significantly higher than in previous years.

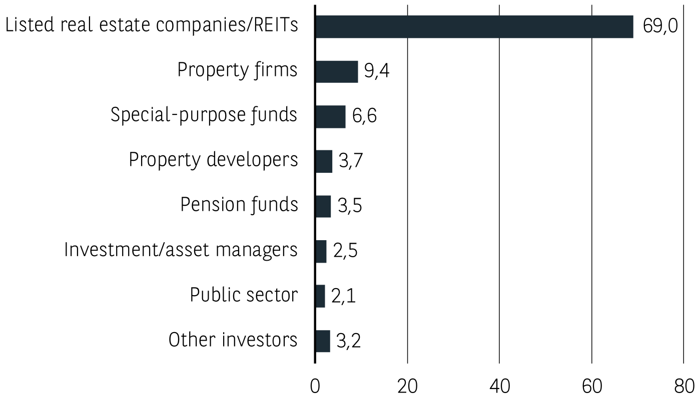
MOST OF TURNOVER IS GENERATED BY EXISTING PORTFOLIOS

As usual, existing portfolios with over 69% of the volume are at the forefront in the distribution of turnover across the various asset classes, additionally supported this quarter by the Adler acquisition. Individual older properties are also in high demand and contribute 11.5% to the result. This puts them ahead of new construction developments which attracted 9% or well over €800 million of investments, representing a clear surplus compared to the same period of the previous year. A further almost €200 million were invested in special types of housing such as student apartments. The high proportion of project developments is remarkable as supply is relatively low in this asset class.

SIZE DISTRIBUTION SIMILAR TO PREVIOUS YEAR

Even if the overall result is hardly comparable with the previous year, the distribution by size classes does not differ significantly in terms of market shares. However, the absolute figures provide a more exciting picture: not only was there a noticeable increase in investment in the three-digit million segment, all other size classes reveal signifcant increases: Overall, a whole 74% more was invested in the segments up to €100 million. Especially the categories up to €50 million show considerable growth rates.

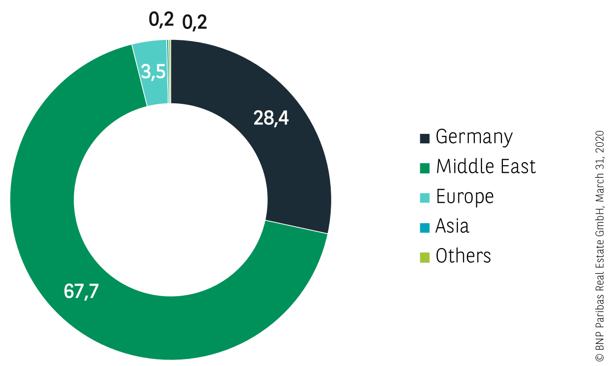
Investments by buyer group Q1 2020



LISTED REAL ESTATE COMPANIES ARE THE NUMBER ONE

Even though listed real estate companies/REITs are traditionally at the forefront of the residential investment segment, the 69% share of the total investments volume in the first quarter is exceptionally high and primarily due to the acquisition of Adler Real Estate by ADO Properties. In terms of the number of transactions, on the other hand, other groups of buyers were much more active, even if they contributed less in absolute terms, such as real estate companies at just over 9% and special-purpose funds at almost 7%. All other investor types such as property developers, pension funds (both 4%), asset managers (3%) or the public sector (2%) have so far remained below the 5% mark.

Investments by origin of capital Q1 2020



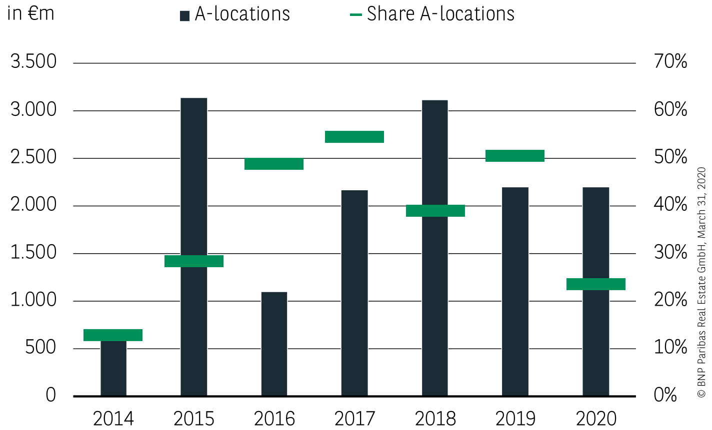
HIGH PROPORTION OF FOREIGNERS DUE TO ADLER TAKEOVER

After the residential investment market was clearly in the hands of domestic investors in recent years, foreign investors dominate in the first quarter with 72%. This also reflects the Adler acquisition. In the course of the year, the ratio is likely to shift in favor of German investors again.

A LOCATIONS UNDERREPRESENTED IN THE FIRST QUARTER

While in recent years half of the residential investment volume has been allocated to A locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart), their share has so far been below average at just under a quarter. In absolute terms, however, at around €2.2 billion, they confirm the very good result of the previous year. As always, most investments were made in the capital Berlin with almost €960 million, followed by Hamburg with around €530 million. Düsseldorf also posted a very good result of over €360 million, while the volumes in Cologne, Frankfurt and Munich were, as usual, rather low at €100 to 130 million due to the low supply.

Investment volume A-locations and share of total volume Q1



PERSPECTIVES

The figures for the first quarter paint a very positive picture of market activity, but do not yet reflect any Corona effects. Compared to other asset classes, especially retail or hotel, residential investments are also less likely to suffer from negative effects linked to the crisis. It is impossible to determine to which extend construction activity will decline and how this will affect the supply side. The same applies to the further price development. Due to the fundamentally lower vulnerability of this asset class, there are currently no signs of significant price changes in the short or medium term.

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