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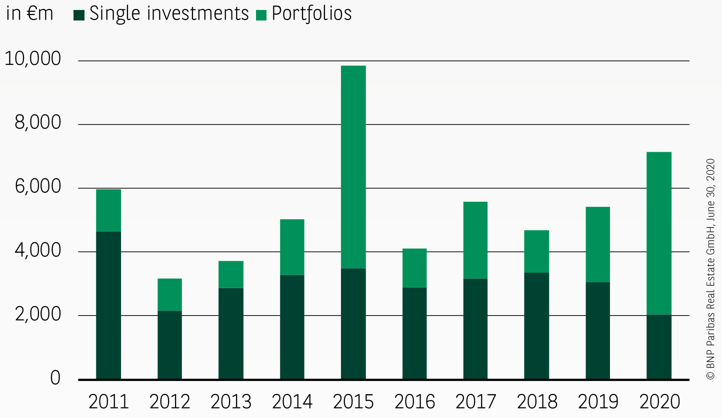
RESEARCH

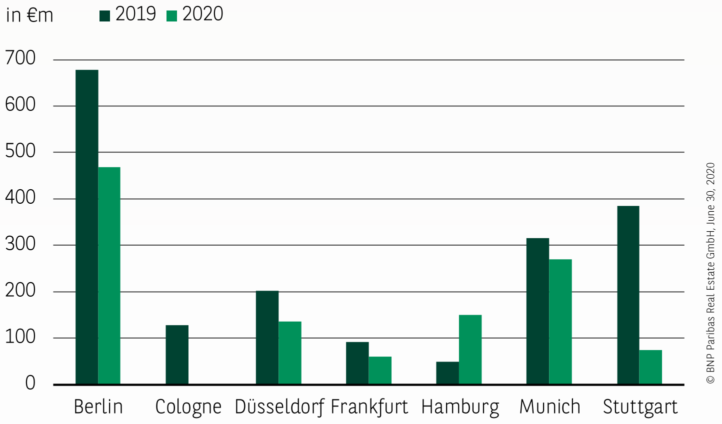
At a Glance **Q2 2020**

RETAIL INVESTMENT MARKET GERMANY

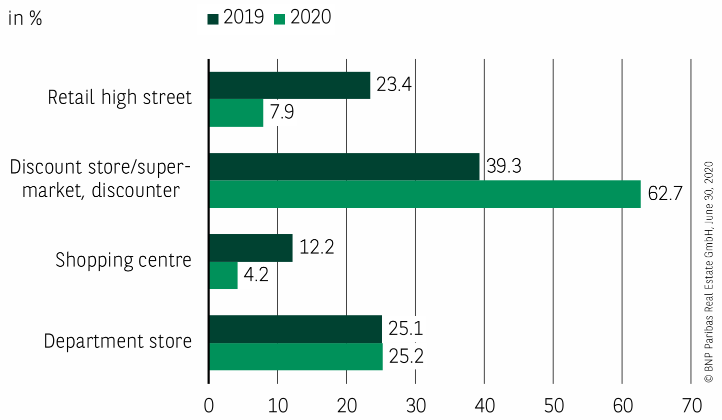
Retail investments in Germany H1



Retail investments in the A-locations H1



Retail investments by type of property H1



EXCELLENT RESULT THANKS TO PORTFOLIO DEALS

While the lockdown and the gradual re-openings had a decisive impact on the stationary retail market in the second quarter, the portfolio segment had a formative influence on the retail investment market in the first half of the year as €7.1 billion were invested in portfolio investments in the first six months. This accounts to 71 % of total investments. Among the most decisive sales drivers were in particular the company acquisitions of REAL and TLG Immobilien AG as well as the various investments in Galeria Karstadt Kaufhof properties. In a year-on-year and long-term comparison, the half-yearly result is a good 32 % above the result for the first half of 2019 and 30 % above the ten-year average, not least due to the special factors mentioned above. In the segment of individual deals, which just managed to break through the €2 billion mark, there is a shortfall of around €1 billion compared to the previous year. This is primarily due to the fact that there were practically no individual sales in the triple-digit million range.

CRITICAL SITUATION IS EMERGING IN A-CITIES

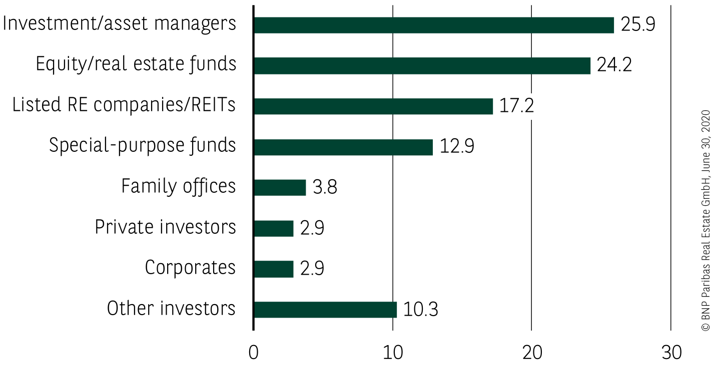
The aforementioned lack of large-volume individual sales, which usually make up the difference between high and low volumes in the top markets, is reflected in the results of the A-locations: at mid-year, the most important retail metropolises contributed only €1.2 billion and thus only 16% to the overall result. In the same period of the previous year, this figure was over €1.8 billion and 34% on a pro rata basis. The largest contribution was made by the investments in the context of the Signa Prime Selection portfolio deal. Berlin benefited primarily from the TLG properties transaction. With an albeit average result of €468 million, the capital city once again leads the city ranking, ahead of Munich (€270 million) and Hamburg (€150 million). Düsseldorf (€136 million), Stuttgart (€74 million) and Frankfurt (€60 million) are ranked next.

SPECIALIST STORES DEFY THE CORONA CRISIS

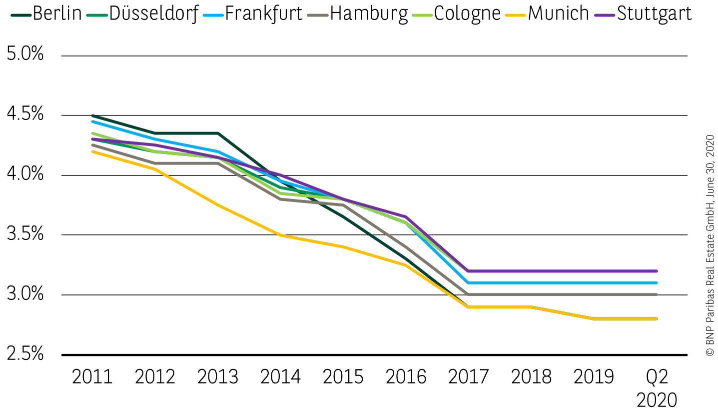
The fact that the specialty store segment accounts for roughly 70% of all registered deals in the second quarter is not only an indication of the dependency of the retail investment market on this type of property, but also of the crisis resistance of specialty store investments. At € 4.5 billion, they represent almost two-thirds of sales and set a new record at mid-year. Department stores follow at a certain distance and with a share of a good 25%, ahead of commercial buildings (8%) and shopping centres (4%).

Retail investments by buyer group H1

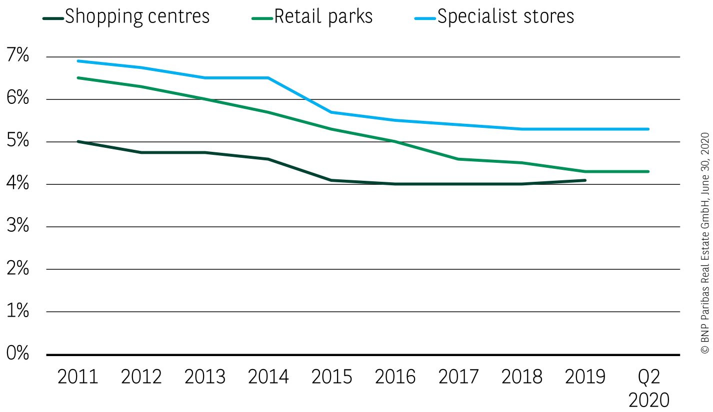
in %



Retail high street net prime yields in the A-locations



Net prime yields by type of property



NECK-AND-NECK RACE BETWEEN TWO INVESTOR GROUPS

Against the background of the market development outlined above, it is not surprising that the buyer ranking was determined by those who were extensively active in the portfolio segment. Investment/Asset Managers, who in addition to the REAL supermarket acquisition were responsible for further extensive investments in the specialist store segment, ranked just under 26%, just ahead of Equity/Real Estate Funds (24%). The latter were primarily active in the department store segment, including American players such as RFR and Apollo. In the course of the TLG takeover by Aroundtown and numerous smaller investments, third place on the podium was taken by listed RE companies/REITs (approx. 17 %). In contrast, special-purpose funds achieve a comparatively weak mid-term result with less than one billion euros invested (almost 13%.) The share of international buyers, which amounts to a good 47 %, continues to be well above average compared to the overall commercial property market. In addition to North American investors (25 %), investors from the Middle East were also strongly represented (15%).

YIELDS UNCHANGED AT MID-YEAR

Overall, the deals concluded in the first half of the year generated returns comparable to those at the end of 2019. Since the measures to contain the corona crisis were implemented, no significant properties have been sold which would indicate a changed yield level. Thus, no adjustments have yet been made. Against this background, the prime yields for commercial properties in the absolute top locations of Berlin and Munich remain at the same level (2.80% each), ahead of Hamburg (3.00%), Frankfurt (3.10%), as well as Düsseldorf, Cologne and Stuttgart (3.20% each). The same applies to the individual asset classes: Here, retail parks are still listed at 4.30% and individual specialist stores at 5.30%. However, due to the lack of transactions in the shopping center segment, no assured prime yield can be reported for the market at present.

OUTLOOK

The excellent half-year figures cannot hide the fact that the result was largely driven by portfolio transactions, which in turn were fueled by takeovers. By contrast, large-volume individual deals, which are usually closely linked to the result of A-locations and form important pillars of the retail investment market, were largely absent in the first six months. The outlook is also difficult due to continuing uncertainties. However, there are signs that larger retail properties with suitable prices and, above all, the right location are again meeting with slightly higher investor interest, so that a sale increase in this market segment cannot be ruled out for the rest of the year.

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