BNP PARIBAS REAL ESTATE

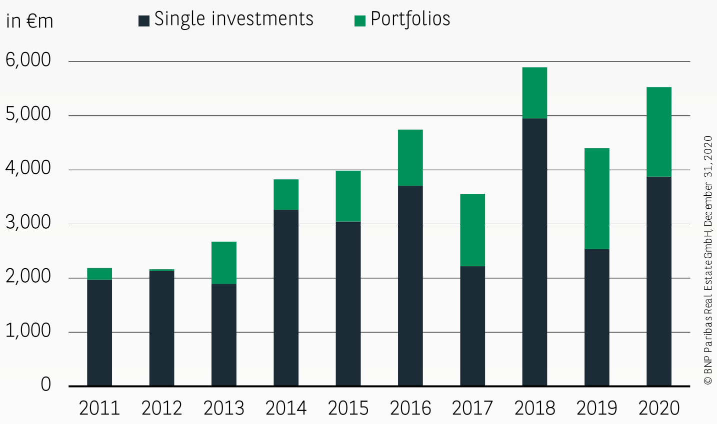
Real Estate for a changing world

RESEARCH

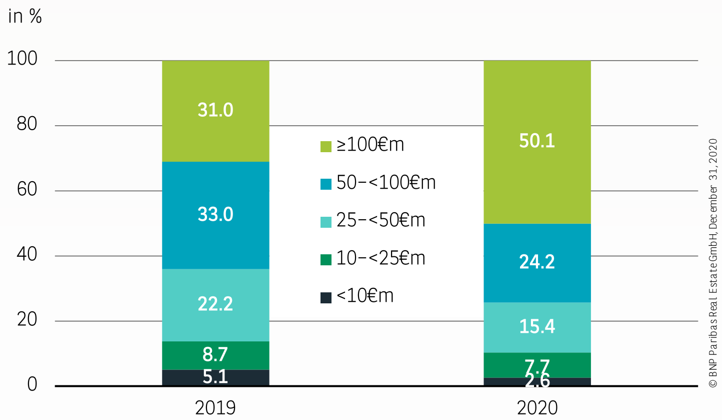
At a Glance Q4 2020

INVESTMENT MARKET HAMBURG

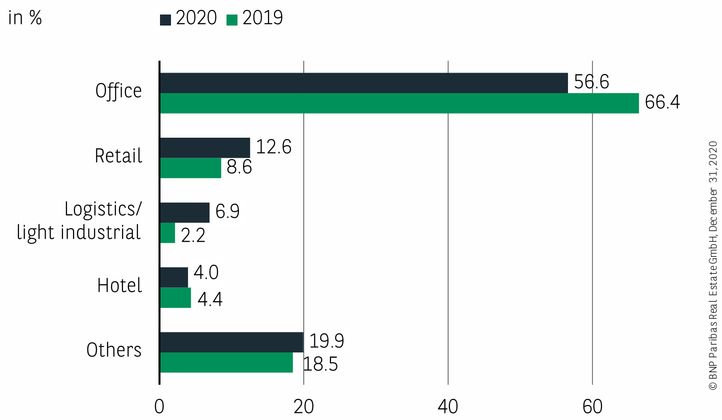
Investment volume



Investments by € category



Investments by type of property



THE ONLY TOP LOCATION WITH AN INCREASE IN TURNOVER

The Hamburg investment market records a transaction volume of €5.53 billion in 2020. This means that the volume in the Hanseatic City not only increased by almost 26 % compared to the previous year, but also achieved the second-best result ever. Only in 2018 was more invested (€5.90 billion). With its rise in turnover, Hamburg stands out among the German top cities in the year which was heavily influenced by the Corona pandemic: all other A markets recorded declines of between 13 % and 57 %, and the investment volume nationwide also fell by almost 19 %. However, Hamburg started 2019 from a more moderate base than other locations. In 2020, market activity only softened in the second quarter when almost €1 billion was invested. Market activity picked up noticeably in the second half of the year. In line with the overall very good result, single deals achieved the second-best result to date with €3.87 billion, portfolio transactions included on a pro rata basis also achieved an above-average volume of 30 %. The largest deals comprise the Gruner + Jahr publishing building on Baumwall, the new Edge ElbSide building in HafenCity and the HCOB headquarters including shopping mall Perle Hamburg in the city centre.

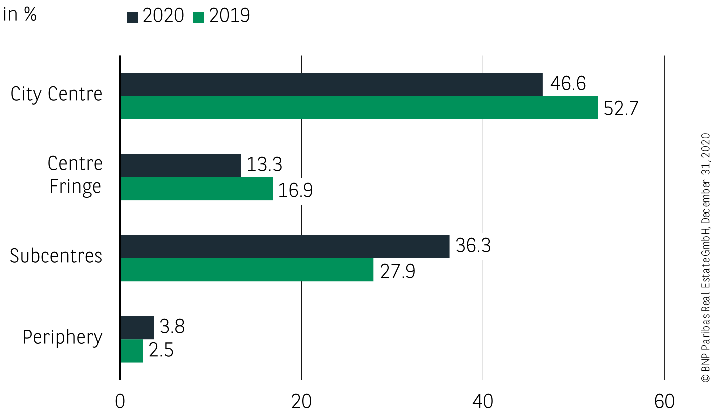
LARGE-VOLUME DEALS ARE THE DECIDING FACTOR

The main drivers for the high investment volume are large transactions. The volume of deals with more than €50 million broke through the €4 billion mark for the first time ever. Investments in the three-digit million range are clearly in the lead with a total of more than 50 % market share and set a new record. Deals between €50 and 100 million remain slightly below the previous year's level and are responsible for about 24 %. In contrast, results below the ten-year average were registered in the other segments, with the category from €25 to 50 million only just below at 15 %. Due to the high number of large transactions, the average volume per deal has risen to a peak of €48 million (2019: €35 million).

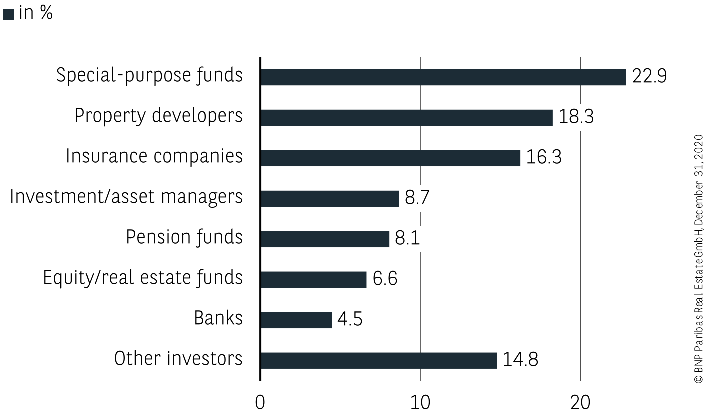
OFFICE PROPERTIES DOMINATING

Office investments lead the distribution of investments by property type with some 57 % market share and achieved the highest absolute result in the last ten years. Despite the current difficult environment, an above-average volume was also invested in retail properties (almost 13 %), to which the sale of two Karstadt buildings, including the property on Mönckebergstrasse, made a significant contribution. Logistics assets, which are in high demand, achieved the second-highest value ever recorded and contributed around 7 % to the result.

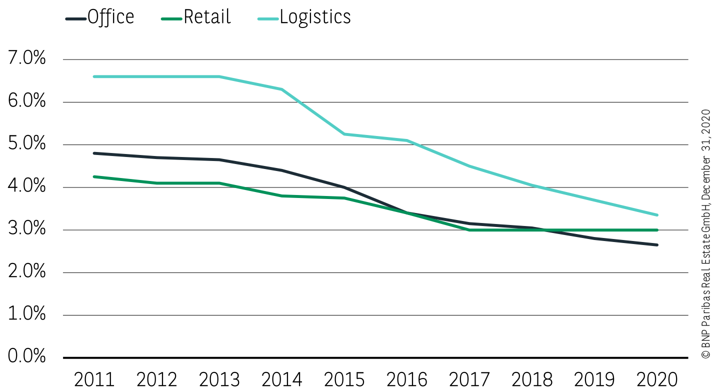
Investments by location



Investments by buyer group 2020



Net prime yields by type of property



CITY CENTRE WITH RECORD VOLUME

At just under 47 %, city centre locations once again lead the geographical distribution. A new record volume of more than €2.5 billion was invested here. Subcentres accounted for a good 36 % of investments, exceeding €2 billion and achieving the second-highest volume ever recorded. The largest deals here include the new SG Campus office building in Barmbek and the Area 5.0 office complex in Alsterdorf. In the centre fringe (13 %), a similar volume was achieved as in the previous year, but in a long-term comparison this is a below-average figure. The periphery increased their market share to just under 4 %.

SPECIAL-PURPOSE FUNDS MOST ACTIVE

The distribution of buyer groups is led by special-purpose funds with around 23 %. Property developers are in second place with a share of 18 %. They acquired properties of around €1 billion and, together with the special-purpose funds, signed the most deals. Insurance companies reached a market share of around 16 % making it the third most important buyer group in 2020. Investment/asset managers with 9 % and pension funds with 8 % are also worth mentioning. As in the previous year, the share of foreign investors is just under 39 % and thus in line with the national average. At €1.56 billion, European buyers in particular were active in the Hanseatic city.

PRICE INCREASE CONTINUES

The yield compression in office and logistics assets that has been observed for many years continued in 2020. Demand for real estate remains high and supply limited, especially in the core segment. While net prime yields remained stable in the first half of the year, also reflecting the wait-and-see attitude due to the Corona crisis, they continued the downward trend from the third quarter onwards. At the end of the year, the yield for premium office properties was 2.65 %, and thus 15 basis points below the previous year's level. Logistics properties have gained in importance and have turned into crisis-proof asset class. The high demand for this type of property has caused the yield to fall by 35 points to 3.35 %. Albeit the overall challenging environment for retail / office buildings in premium high street locations, net yields held firm at 3.00 % for prime product.

OUTLOOK

The ongoing Corona pandemic will continue to shape the year 2021. However, due to the lack of investment alternatives and continued low interest rates, it can be assumed that the demand for real estate will remain high overall. And Germany is benefiting from a comparatively good economic environment. The unusual accumulation of deals, especially in the triple-digit million range, will probably not be repeated to this extent in Hamburg as there is often a lack of a corresponding offer in this size segment in particular.

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