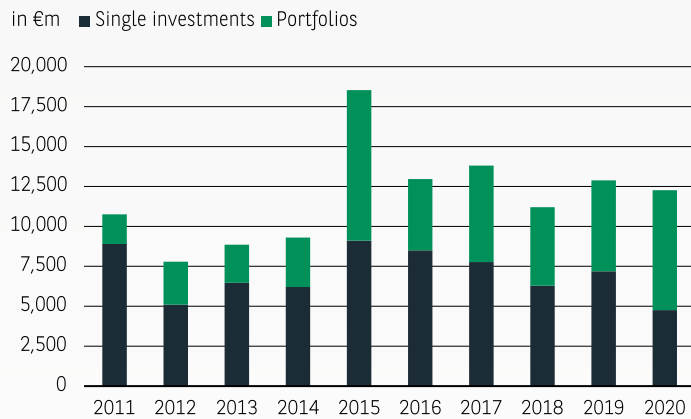




At a Glance **Q4 2020**

# RETAIL INVESTMENT MARKET GERMANY

## Retail investments in Germany

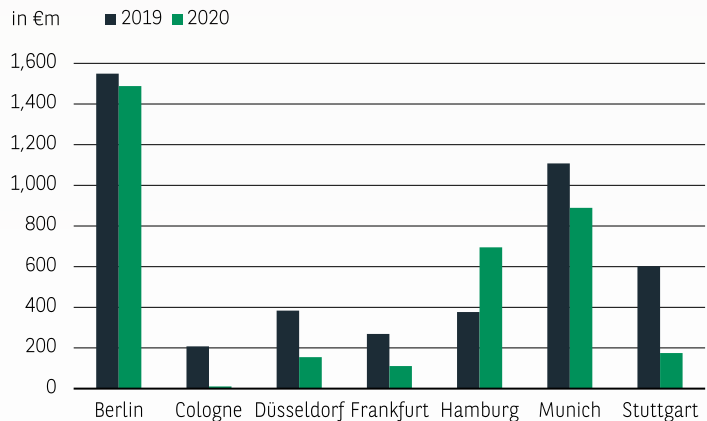


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## ▶ RETAIL WAREHOUSING & PORTFOLIOS BOOST RESULT

Not least due to the renewed lockdown in the fourth quarter, the retail market is indisputably one of the segments most seriously affected by the impact of the Corona pandemic. In this context, it is all the more remarkable that the nationwide retail investment market was able to achieve an above-average result in 2020. With a total investment volume of €12.3 billion, the result is slightly above the long-term average (+4%) and only slightly below the previous year's result (-5%). However, these figures conceal different developments that show current trends: While the turnover of single deals has fallen by more than a third in 2020, in the portfolio segment with € 7.5 billion invested (61 % share), only in 2006 (€ 11.9 billion) and 2015 (€ 9.4 billion) higher volumes were recorded. The most important driver of both portfolio and single sales is the retail warehousing segment, which surpassed the €7 billion mark for the first time and achieved a new record result.

## Retail investments in the A-locations

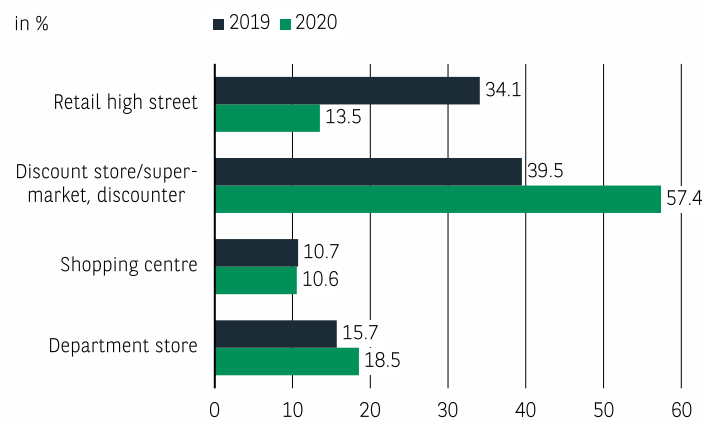


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## ▶ EFFECTS OF THE CORONA CRISIS NOTICEABLE IN A-CITIES

The few large-volume single sales, which mostly make up for the difference between high and low annual investment volumes in the top markets, are reflected in the result for the A-locations: With investments totalling €3.5 billion, the volume decreased by 22% year-on-year in the most important retail metropolises. It was the lowest value of the last five years. Looking at the individual cities, only Hamburg (€695 million) performed better in comparison to the previous year. The Hanseatic city benefited from the sale of the two Karstadt branches in Osterstrasse and Mönckebergstrasse from Quantum to Signa. However, also Berlin (€1.5 billion) and Munich (€890 million) recorded high volumes, securing again the top two positions in the ranking. Stuttgart (€175 million), Düsseldorf (€155 million), Frankfurt (€111 million) and Cologne (€10 million) follow at a considerable distance.

## Retail investments by type of property



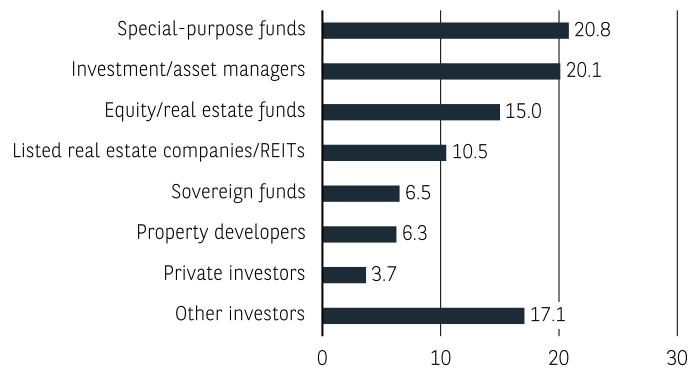
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## ▶ SPECIALIST STORES DEFEY THE CRISIS AND SET A NEW RECORD

In 2020, investors continued to focus on retail warehousing assets (incl. supermarkets and discounters) and retail parks, which account for a good 57% of the total volume. This retail segment was key both in company takeovers as much as in single and portfolio deals. Department stores (19%) were also high in demand, some of which have new uses waiting for them in the future, depending on the location and property. The quartet of property types is completed by highstreet commercial buildings and shopping centres with 14% and 11% respectively.

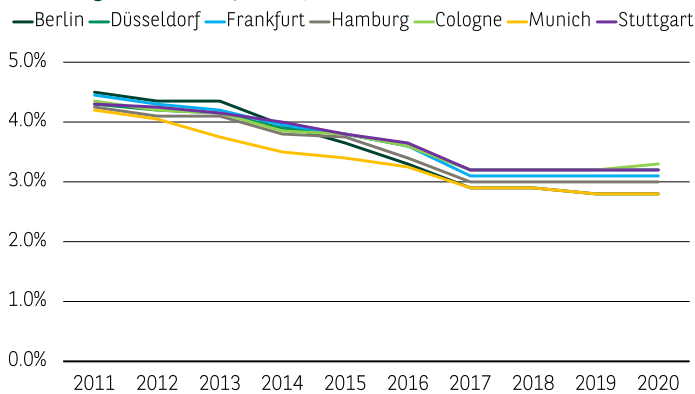
**Retail investments by buyer group 2020**

in %



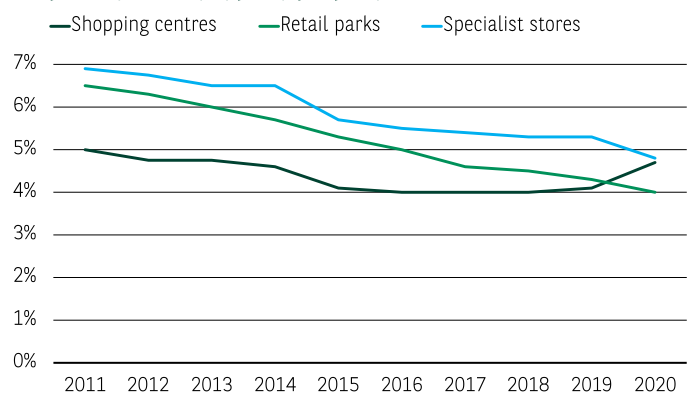
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**Retail high street net prime yields in the A-locations**



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**Net prime yields by type of property**



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**➤ BROAD DIVERSIFICATION IN THE INVESTOR RANKING**

Against the background of the above described market development, it is unsurprising that the ranking of buyers was also determined by those who were extensively active in the portfolio or retail warehousing segment. Thus, special-purpose funds, with almost 21 % market share, placed themselves just ahead of investment/asset managers (a good 20 %), who are responsible for the REAL takeover and numerous other investments in the food sector. Third place is taken by equity/real estate funds (around 15 %), to which transactions of department store portfolios by players such as RFR or Apollo were the main contributors. This is followed by listed real estate companies/REITs driven by the TLG takeover by Arountown and numerous smaller investments (proportionately just under 11%). Sovereign funds (almost 7%) and developers, who want to exploit the development potential of department store properties, among other things, are also more extensively involved in investment activity (a good 6%). Family offices should also be mentioned, which are particularly present in the retail and office building segment for deals of up to €25 million. Compared to the commercial property market as a whole, the proportion of international buyers remains above average (a good 45%).

**➤ RETAIL PARKS MOVE PAST SHOPPING CENTRES**

In terms of the various A-locations, the few sales of core properties in the high-street segment completed in 2020 generated largely comparable yields to the previous year. Against this backdrop, Berlin and Munich continue to rank equally (2.80% each) in terms of prime yields for retail buildings in the absolute top locations, ahead of Hamburg (3.00%), Frankfurt (3.10%), Düsseldorf (3.20%) and Stuttgart (3.20%). In Cologne, however, the high-street prime yield rose by 10 basis points to 3.30%. Differentiated by property type, however, contrasting developments are emerging: For well-functioning retail parks with good transport connections (4.00%) and individual retail warehousing assets (4.80%), the prime yields have fallen by 30 and 50 basis points respectively in a 12-month comparison. This means that retail parks are now more expensive than shopping centres. For the latter a rise in prime yields by 60 basis points to 4.70% was recorded.

**➤ PERSPECTIVES**

The good overall result should not conceal the fact that acquisitions and participations as well as a very strong retail warehousing segment, which drove the volume in 2020, are the decisive factors behind the result. In addition, both the extension of the lockdown and the continued high level of infection harbour uncertainty factors that are likely to continue to have a noticeable impact on the retail investment market in the first half of 2021.

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Further Information BNP Paribas Real Estate GmbH | Christoph Scharf, Head of Retail Services | Phone +49 (0)30-884 65-0 | christoph.scharf@bnpparibas.com | www.realestate.bnpparibas.de