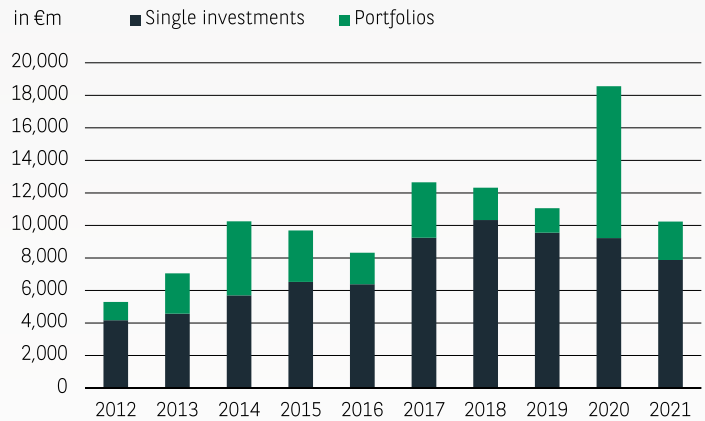




At a Glance **Q1 2021**

# INVESTMENT MARKET GERMANY

**Investment volume in Germany Q1**

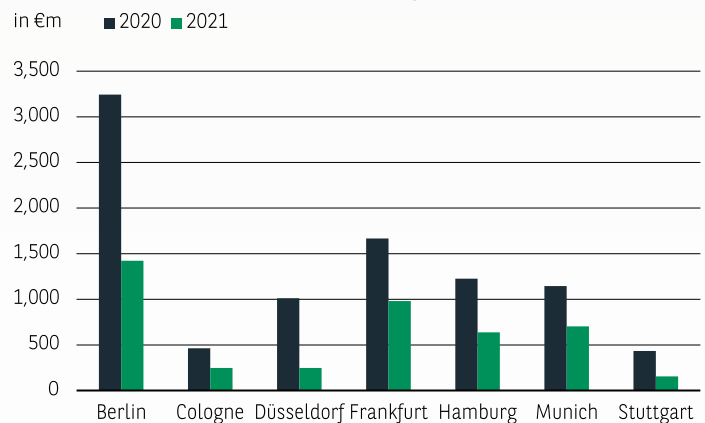


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**➤ INVESTMENT VOLUME OVER €10 BN DESPITE LOCKDOWN**

The beginning of the year confirmed investors' great confidence in the German commercial real estate markets. The transaction volume of a good €10.2 billion is on a par with the ten-year average. The fact that it is well below the all-time high set in the Q1 2020 is unsurprising, given the large portfolio deals that were closed in last year, including the TLG acquisition. The main reason for the current good performance is that the economy is doing well in the ongoing lockdown and corporate confidence is increasing despite a vaccination campaign that is only slowly gaining momentum. This is reflected, among other things, in the ifo index, which in March reached its highest level since June 2019. The improved situation in terms of outstanding orders shows that a large part of the German economy has adapted to the current conditions. With lockdown easing likely to start in the short-term, the confident mood should gain further momentum.

**Investment volume in the A-locations Q1**

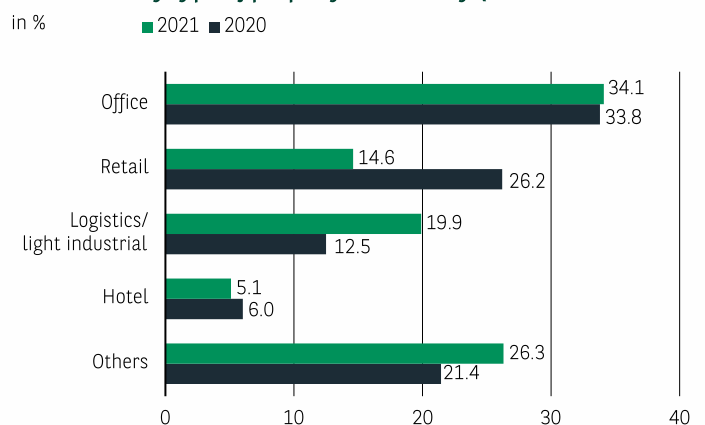


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**➤ SIGNIFICANT DECLINE IN A-CITIES**

In the A-cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart), €4.4 billion was transacted in commercial real estate. The volume thus roughly halved, as the major cities benefited strongly from large portfolios Q1 2020. Berlin recorded transaction volumes of more than €1.42 billion (-56%). Despite the sharp decline, this was the third-best result ever recorded. The one billion threshold was only just missed in Frankfurt, where the result of €980 million (-41%) was above the long-term average. Munich came third with €704 million (-39%), followed by Hamburg with €638 million (-48%). A neck-and-neck race was fought between Cologne with €248 million (-47%) and Düsseldorf with €247 million (-76%), where an all-time high of more than €1 billion was achieved last year. In Stuttgart, the result was also almost two-thirds lower y-o-y at €156 million.

**Investments by type of property in Germany Q1**

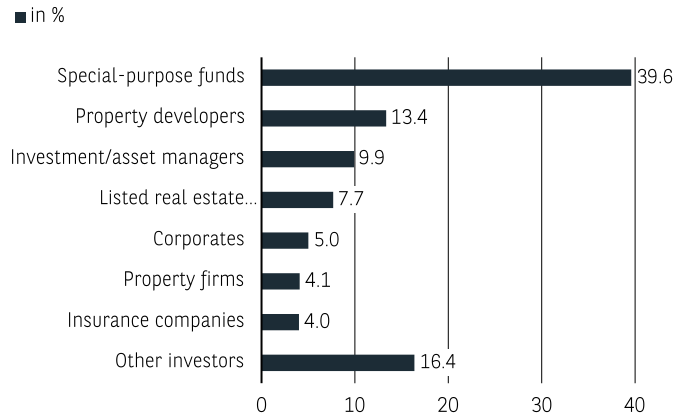


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**➤ OFFICES ONCE AGAIN AT THE TOP**

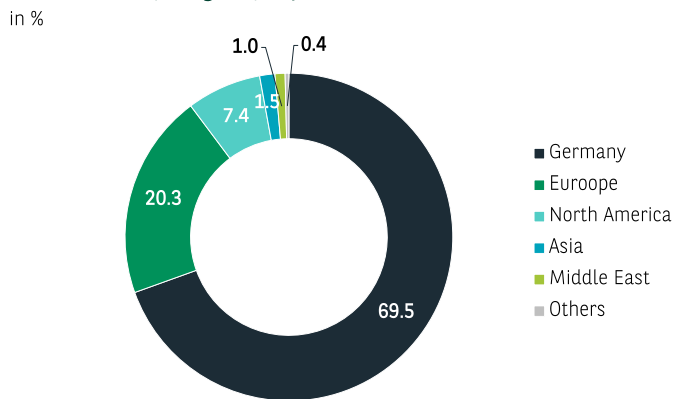
Offices again took the lead with €3.5 billion and a share of 34%, although this is lower than the long-term average (41%). By contrast, logistics properties accounted for almost twice the usual share, contributing just under 20% and thus taking second place (a good €2 billion). Retail investments remain around 10 percentage points below their long-term average, coming third with just under 15% (almost €1.5 billion). The leading quartet is completed by healthcare properties, which account for a good €1.1 billion (11%) and thus make a double-digit contribution for the first time. Hotels contributed around €520 million, or a good 5% of the result.

**Investments by buyer group Q1 2021**



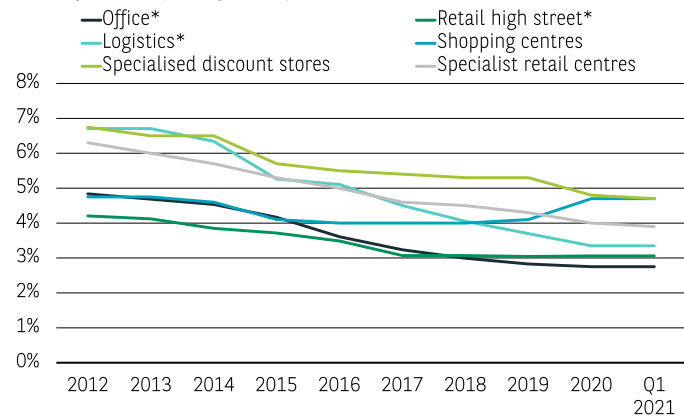
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**Investments by origin of capital Q1 2021**



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**Development of net prime yields**



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\* Ø A-locations

**RELATIVELY LOW PROPORTION OF FOREIGN BUYERS**

The proportion of foreign investors is noticeably below average, at just under 31%. This is mainly due to the moderate market activity in the portfolio sector, which is not least attributable to a lack of supply at the beginning of the year. As a rule, foreign investors are particularly strongly represented in this area. Added to this is the situation that, due to contact as well as international travel restrictions during the lockdowns, many international investors are still only in a very limited position to fully examine and process larger transactions.

**YIELDS STABLE IN THE FIRST QUARTER**

After falling across the board last year, yields have remained unchanged so far this year. This is above all due to the fact that only a few large deals were concluded in the absolute premium segment in the first few months because of the limited supply. Berlin and Munich continue to lead the field, with net prime office yields of 2.55% in each case. Hamburg follows in third place with 2.65%, placing it just ahead of Frankfurt, where the figure remains unchanged at 2.75%. Outside the top four locations, the net prime yields are also stable. In Düsseldorf and Stuttgart, they are unchanged at 2.90% and in Cologne at 2.95%.

**OUTLOOK**

The very solid start to the year on the investment markets by long-term standards clearly underlines the fact that investors regard the corona pandemic and its effects as a temporary event and are convinced of a positive trend in the long run. Especially in comparison with other asset classes, real estate continues to offer an attractive risk-reward profile. This positive assessment is likely to become more firmly established in the coming months if there is a noticeable easing of restrictions as the vaccination campaign gradually progresses. This is all the more true as it is already becoming apparent that massive catch-up effects on the demand side are likely to set in. From today's perspective, almost all business sectors will benefit from this. This also applies to the disproportionately affected hotel and retail sector. Taking all the above factors together, there is every indication that the markets are likely to gain further momentum in the coming quarters. Against this background, from today's perspective, transaction volume for the full year is again expected to be well in excess of €50 billion. Whether the €60 billion threshold is within reach will depend primarily on the supply available in the portfolio segment and in the large-volume premium property segment. In addition, there is a realistic chance of further slight yield compression in net prime yields in the months to come.

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**Further Information** BNP Paribas Real Estate GmbH | Sven Stricker, Co-Head Investment | Phone +49 (0)30-884 65-0 | sven.stricker@bnpparibas.com | [www.realestate.bnpparibas.de](http://www.realestate.bnpparibas.de)