BNP PARIBAS REAL ESTATE

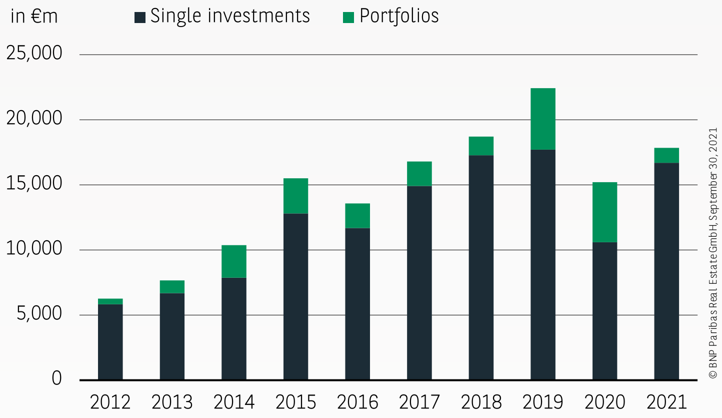
Real Estate for a changing world

RESEARCH

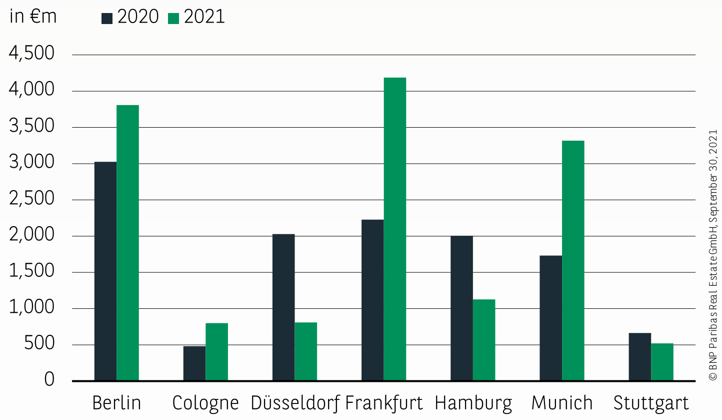
At a Glance Q3 2021

OFFICE INVESTMENT MARKET GERMANY

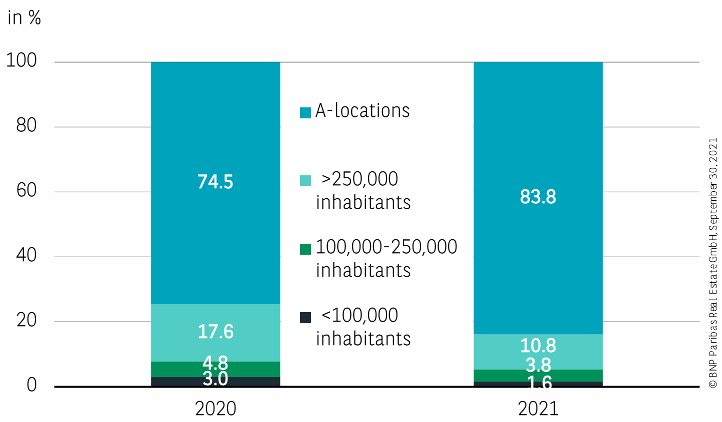
Office investments in Germany Q1-3



Office investments in the A-locations Q1-3



Office investments by city size Q1-3



THIRD BEST RESULT OF THE LAST TEN YEARS

Office investments continue to be in the focus of both national and international investors. With a nationwide transaction volume of a good €17.84 billion, the third-best total of the last ten years was achieved. The good result is all the more impressive as the portfolio share is disproportionately low at just over 6%. Only around €1.14 billion was invested in portfolios, significantly less than in previous years. The volume generated by single deals, on the other hand, increased significantly (+58%) to some €16.7 billion, which is a proud 37% above the ten-year average. For investors, it is obvious that the office will continue to be the focal point for employees in the future. Against this backdrop, it is unsurprising that offices have once again clearly taken the lead among all asset classes. Overall, they contribute a good 45% to the commercialinvestment volume and thus slightly exceed their long-term average. The largest transaction was the purchase of the T1 Tower in Frankfurt by Allianz for around €1.4 billion, which was accompanied by BNP Paribas Real Estate on the buy side.

A-LOCATIONS INCREASE BY 20%

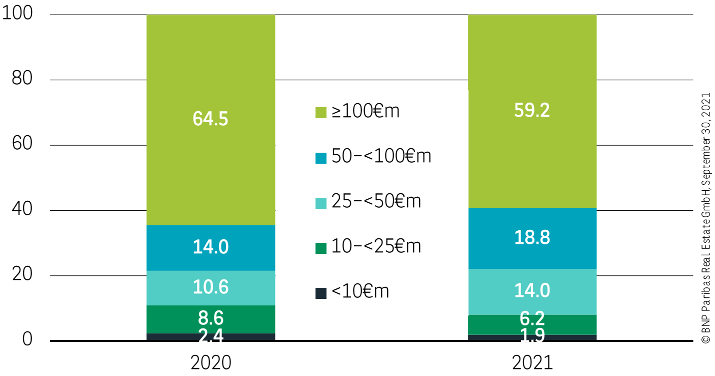
A-locations in particular are sought after by buyers. Accordingly, they were able to increase their transaction volume by 20% to €14.57 billion compared to the previous year. Frankfurt came out on top with €4.19 billion (+88%), where not only the T1 Tower (under construction) but also the Skyper high-rise brokered by BNPPRE boosted volumes. Berlin came in an unusual second place with a good €3.8 billion (+26%). In Munich, too, at €3.32 billion (+92%), the two high-rise transactions Highlight Towers and Uptown Munich handled by BNPPRE, contributed significantly to the strong transaction volume. Cologne also posted a significant and now records a volume of €800 million. In contrast, Hamburg with €1.13 billion (-44%), Düsseldorf with €810 million (-60%) and Stuttgart with €520 million (-22%) suffered losses.

VERY HIGH SHARE OF METROPOLISES

With a share of almost 84% of individual sales, the A-locations are by far the most popular destination for investors. This shows that the metropolises are seen as a safe haven, especially in difficult macroeconomic times. However, the other large cities with over 250,000 inhabitants record lower transaction volumes, at just under 11%, not only in relative terms but also in absolute terms. Smaller B- and C-cities together only represent a turnover share of around 5%. In addition to the aforementioned risk assessment on the part of buyers, the overall insufficient supply also contributes to this.

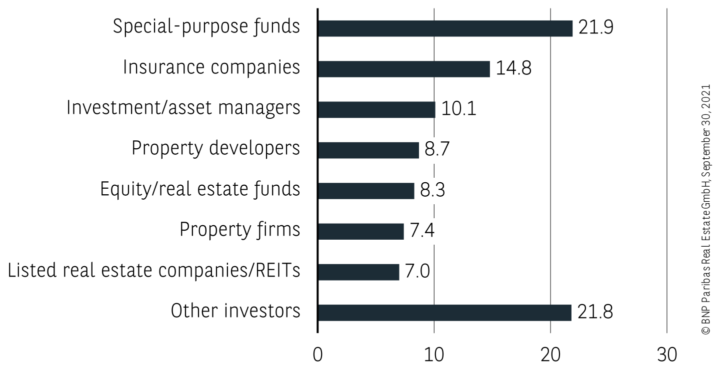
Office investments by € category Q1-3

in %

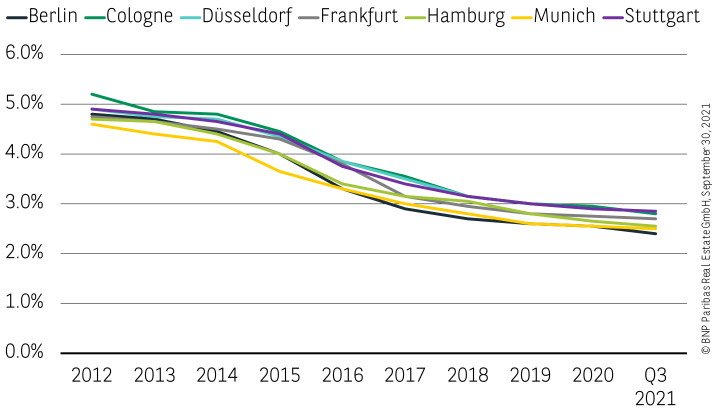


Office investments by buyer group Q1-3

in %



Development of office net prime yields



DEALS LARGER THAN €100 MILLION GENERATE ALMOST 60%

As in the two previous years, sales in the three-digit million range contributed the lion's share to the result with a good 59% and also increased again in absolute terms. In total, 38 transactions with a volume of at least €100 million were already registered in the first three quarters. It is worth mentioning that these took place almost exclusively in the A-cities. In terms of the absolute capital invested, the size categories between €50 and 100 million (almost 19% share) and from €25 to 50 million (14%) also recorded noticeable increases. In contrast, fewer investments were made in smaller properties up to €25 million, both in relative and absolute terms.

BROAD RANGE OF INVESTORS

The large number of different investor types underlines the great interest in office investments and the confidence in a sustained positive development. Special-purpose funds continue to lead with a turnover share of almost 22%. Insurance companies have moved into second place, contributing almost 15%, not least due to the sale of the T1 Tower. With a good 10%, investment managers also made a double-digit contribution. Property developers (just under 9%), equity/real estate funds (a good 8%), property firms (7.5%) and listed real estate companies/REITs (7%) also invested heavily.

PRIME YIELDS HAVE FALLEN FURTHER

Against the backdrop of the outlined demand and at the same time limited supply of high-quality core product, it is unsurprising that net prime initial yields have decreased by a further 5 to 10 basis points in all A-cities in the third quarter. The lowest yield continues to be recorded in Berlin (2.40%), followed by Munich (2.50%) and Hamburg (2.55%). But prices are also continuing to rise in the other locations. Frankfurt is currently quoting prime net initial yields of 2.70%, Cologne 2.80% and Düsseldorf and Stuttgart 2.85% each.

OUTLOOK

The last quarter is also shaping up to be a lively one for investment, not least because investors are convinced of the future of the office. The spectre of significant declines in turnover due to rising home office shares is increasingly being disproved by reality and noticeably rising occupier markets with simultaneously rising rents. In contrast, the probability that the German office markets will resume their pre-Corona success story once the pandemic has been fully overcome is very high. For the year as a whole, a transaction volume of over €25 billion seems quite possible. At the same time, it cannot be ruled out that yields could decrease again slightly in individual cases.

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