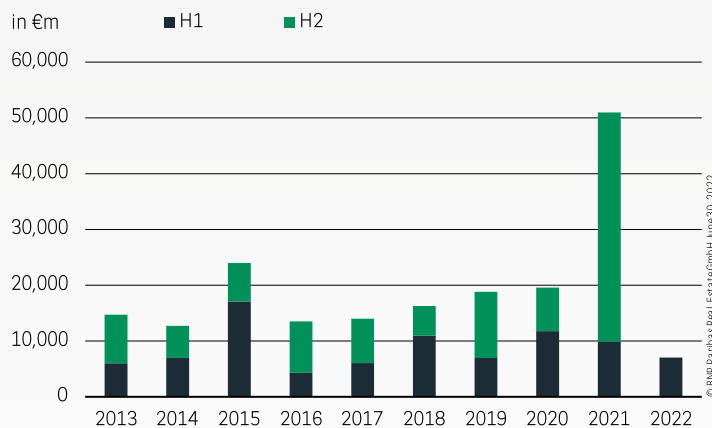




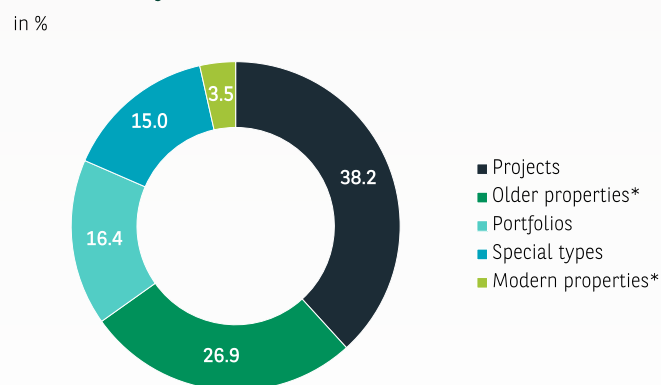
## At a Glance **Q2 2022**

# RESIDENTIAL INVESTMENT MARKET GERMANY

### Investment volume residential portfolios

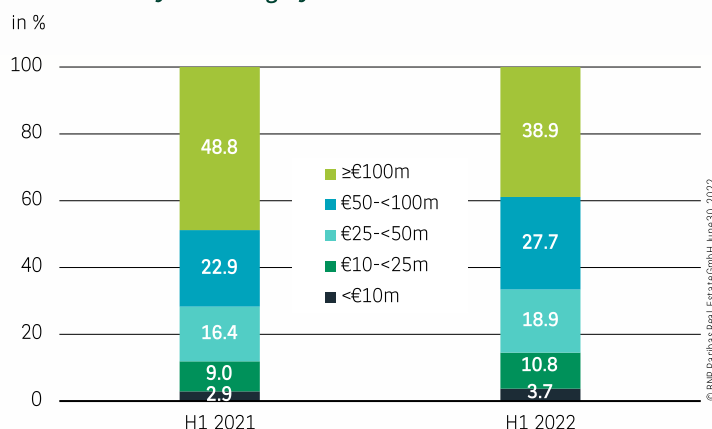


### Investments by asset class H1 2022



\* Block sales in one location

### Investments by size category



### ➤ RESTRAINED FIRST HALF-YEAR

After a significantly more restrained start to the year on the German residential investment market than in the previous year, this trend continued in the course of the second quarter. In the first half of 2022, a good €7 billion was invested in larger residential portfolios (30 or more residential units) nationwide. Around €3 billion of this was invested in the second quarter. Compared to the half-year result from the record year 2021, this corresponds to a decline of almost 30%. The long-term average was also missed by 19%. The attitude of many investors has become much more wait-and-see in recent months, not least due to the interest rate turnaround now being heralded by the ECB. The rising financing costs mean that many investors are constantly forced to recalculate. To a certain extent, this is consequently also reflected in the investment volume. Nevertheless, a total of around 80 transactions were registered for the second quarter, which is an above-average figure in a long-term comparison. So there can be no talk of a standstill on the residential investment market, as could be observed in the first weeks of the Corona pandemic.

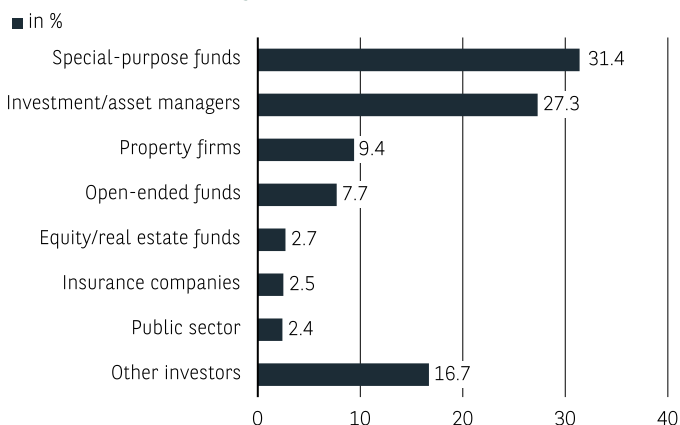
### ➤ PROJECTS CONTRIBUTE THE HIGHEST SHARE

The distribution of the investment volume among the individual asset classes currently shows an unusual picture. Unlike in previous years, projects are currently at the top of the ranking with a share of a good 38%, which still reflects the product shortage in stock that has gradually built up over the years. However, in view of the current interest rate environment and the significant increase in construction prices, the costs for new construction projects are becoming increasingly difficult to calculate. For market participants, this raises the question of who will ultimately bear the increasing risks and how this will affect prices. Contract negotiations between investors and property developers are therefore likely to be much more difficult in the coming months than at the beginning of the year.

### ➤ MIDDLE SIZE SEGMENT COMPARATIVELY DYNAMIC

The analysis of the distribution of the investment volume by size class shows that far fewer large deals have been concluded than in previous years. On the other hand, there has been significantly more movement in the small and medium-sized segment in the first half of 2022. On the other hand, in the segment up to €100 million, the volume of more than €4.3 billion is the second-best result in the last 10 years.

## Investments by buyer group H1 2022



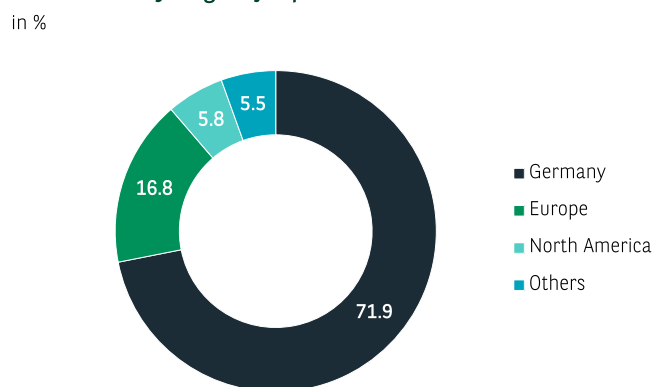
## SPECIAL-PURPOSE FUNDS AT THE TOP

More than €2.2 billion were invested in residential real estate by special-purpose funds in the first six months of the year. This currently puts them at the top of the ranking of buyer groups. The fact that investment managers (for whom the underlying investment construct is not clearly known) follow in second place with a share of 27% is impressive proof that residential investments continue to be among the most popular asset classes for many institutional investors. Property firms (9%) and open-ended funds (8%) also account for significant shares of the result.

## TREND REVERSAL IN YIELDS

The change in financing conditions is now also increasingly visible in the development of yields. For the first time since the financial crisis, the net prime yields for new properties have risen across the board. In the German A-locations, the increase has been in the range of 15 to 20 basis points since the end of 2021. Munich (2.55%) remains the most expensive, followed by Stuttgart (2.60%), Berlin (2.60%) and Hamburg (2.70%). Cologne and Düsseldorf are both at 2.75%. The development in many B-cities is a little more differentiated. While Dresden (3.10%) also saw an increase of 20 basis points, Leipzig (2.90%) recorded a more moderate increase of 10 basis points.

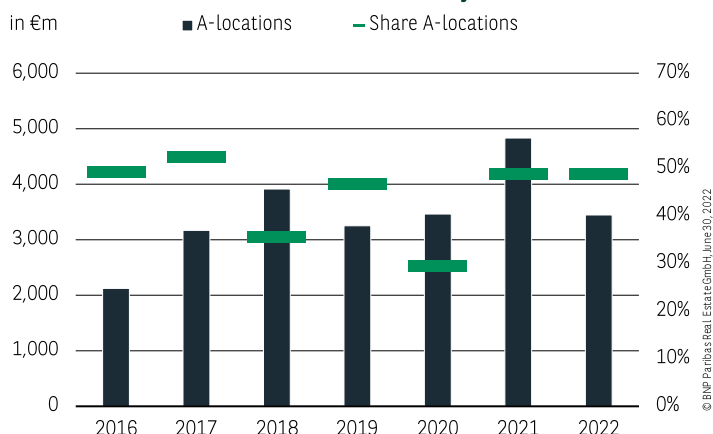
## Investments by origin of capital H1 2022



## SHARE OF A-LOCATIONS SLIGHTLY ABOVE AVERAGE

The share of the A-cities in the investment volume is just under 49%, exactly as in the previous year. This means that around €3.45 billion was invested in the seven largest German cities, which is slightly above the long-term average. As usual, Berlin accounted for the highest volume with €1.43 billion. In Hamburg, the second-best half-year result after 2015 was recorded with €1.17 billion.

## Investment volume A-locations and share of total volume H1



## OUTLOOK

Due to the changed financing conditions and the situation on the financial market, the residential investment market is in a price-finding phase for the time being, in which sellers and buyers must first agree on a new level that is acceptable to both sides. Experience shows that this process is likely to take several months and take place gradually. The most likely scenario at present seems to be that yields will become more differentiated depending on the location and continue to move upwards overall. The necessary evidence is still lacking for a serious statement about the level at which they will eventually settle. From today's perspective, it does not seem unlikely that transaction activity will pick up again at the end of the year.

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