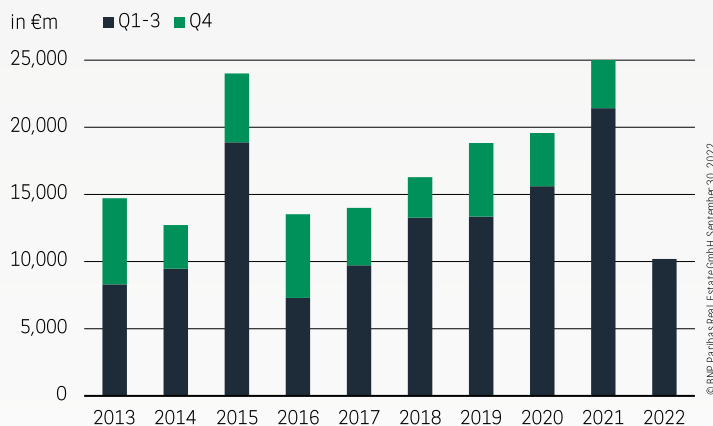




## At a Glance **Q3 2022**

# RESIDENTIAL INVESTMENT MARKET GERMANY

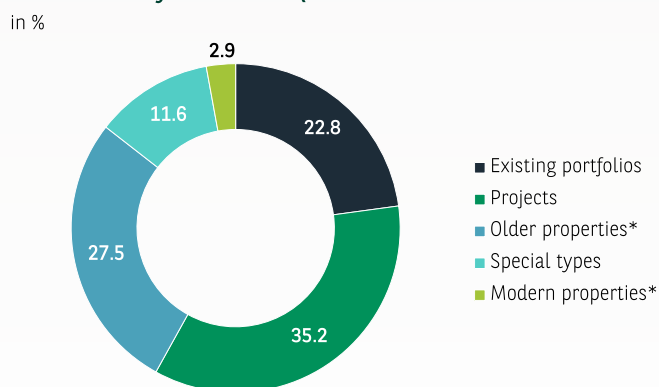
### Investment volume residential portfolios



### ➤ €10 BILLION REACHED DESPITE SLOWDOWN IN THE MARKET

The changing financing environment and the continuing tense economic conditions have resulted in the German residential investment market being significantly more subdued than in previous years by the end of the third quarter of 2022. In the first nine months of the year, a good €10.2 billion was invested in larger residential portfolios (30 residential units or more) nationwide. This means that the long-term average was missed by about one fifth and the record result of 2021 by more than half. At €3.14 billion, the volume in the past three months was only slightly above the result of the second quarter (€3.05 billion) and thus falls short of the quarterly average of the last five years by about 50 %.

### Investments by asset class Q1-3 2022

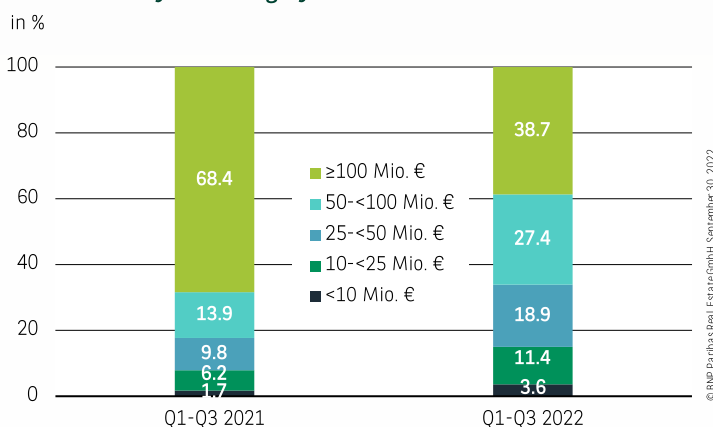


### ➤ PROJECTS ARE STILL IN THE LEAD

The distribution of the investment volume across the individual asset classes currently shows an unusual picture. Normally, existing portfolios lead the field by a wide margin. In the first three quarters of 2022, however, they contributed only just under 23% or €2.3 billion to the volume. A lower value was last recorded in 2011. This can be attributed to the absence of large corporate takeovers and the low number of large-volume package sales, which have always been turnover drivers in recent years. Meanwhile, project developments are clearly in the lead. Against the background that the cost calculation of new construction projects is becoming increasingly challenging due to rising financing and construction costs, it can be assumed that they will lose some ground by the end of the year.

\* Block sales in one location

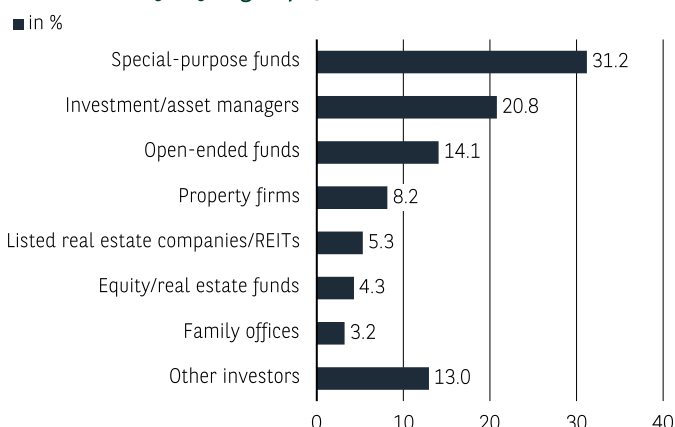
### Investments by size category



### ➤ HIGH NUMBER OF TRANSACTIONS, BUT FEW LARGE DEALS

Although the transaction volume is significantly below previous years, the market is still dynamic overall. Thus, by the end of the third quarter, around 250 transactions were registered, which corresponds to the second highest value of the past 10 years. A closer look at the figures shows that the lack of large transactions is primarily responsible for the below-average investment volume. At €3.9 billion, the segment above the €100 million mark currently accounts for about 50% less than the long-term average. On the other hand, transactions up to €100 million even have the second-best result ever recorded. The fact that the market is much more fragmented than in previous years is underlined not least by the fact that the average volume per transaction in the current year is only around €41 million and thus around €15 million below the long-term average.

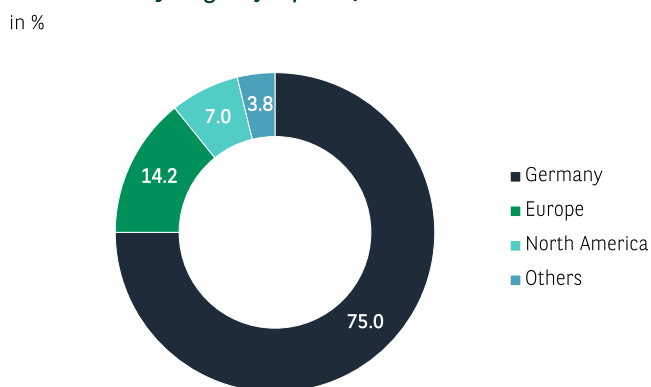
## Investments by buyer group Q1-3 2022



## LISTED REAL ESTATE COMPANIES/REITS AT ALL-TIME LOW

Due to the rise in interest rates and the related increase in the cost of financing, the framework conditions on the residential investment market have changed noticeably. The room for manoeuvre of some players, who usually have large market shares, is increasingly restricted as a result. Real estate companies/REITs, for example, whose equity availability is significantly lower than in previous years, are currently only responsible for a share of transaction volume of just 5%; in a long-term comparison, they are usually around one third. At the top of the ranking of buyer groups, meanwhile, are special funds (31 %) followed by investment/asset managers (21 %) and open-ended funds (14 %).

## Investments by origin of capital Q1-3 2022



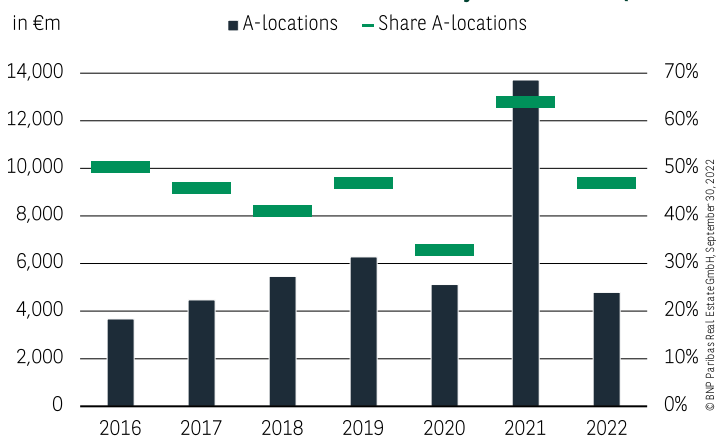
## TREND REVERSAL IN YIELDS

As expected, the net prime yields for new buildings have also risen due to the significant increase in financing costs. The increase compared to the beginning of the year was most recently in the range of 15 to 20 basis points. The most expensive location continues to be Munich (2.55%), followed by Stuttgart (2.60%), Berlin (2.60%) and Hamburg (2.70%). Cologne and Düsseldorf are both at 2.75 %.

## BERLIN CONTINUES TO BE AN INVESTMENT HOTSPOT

With a 47% share of the transaction volume, the A-cities continue to be the main focus of investment in the German residential investment market. In absolute terms, however, the currently registered €4.8 billion represents a decline of a good 17% compared to the long-term average. In addition, the volume is distributed very differently among the individual cities. With €2.2 billion, Berlin is still the market leader by a wide margin, but is currently showing less dynamism compared to the outstanding previous years. Meanwhile, a particularly strong result can be reported for Hamburg with € 1.4 billion, which corresponds to the second best value of the last 10 years.

## Investment volume A-locations and share of total volume Q1-3



## OUTLOOK

The new pricing phase which has started in spring on the residential investment markets has not yet been completed and will continue for several months in anticipation of possible further interest rate increases. Accordingly, a further slight increase in yields can be expected. Even though the still very high number of transactions is a positive sign, the year-end rally usually seen in the last quarter is likely to be much less dynamic than usual against the backdrop of the expected recession. From today's perspective, it is likely that the acquisition processes will be much more selective and that large transactions will probably remain scarce.

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