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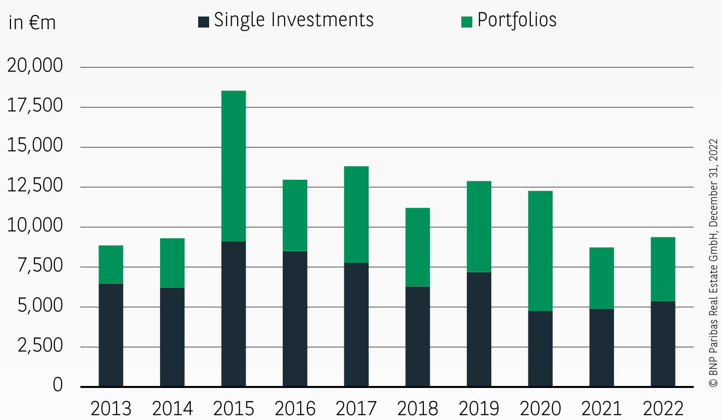
RESEARCH

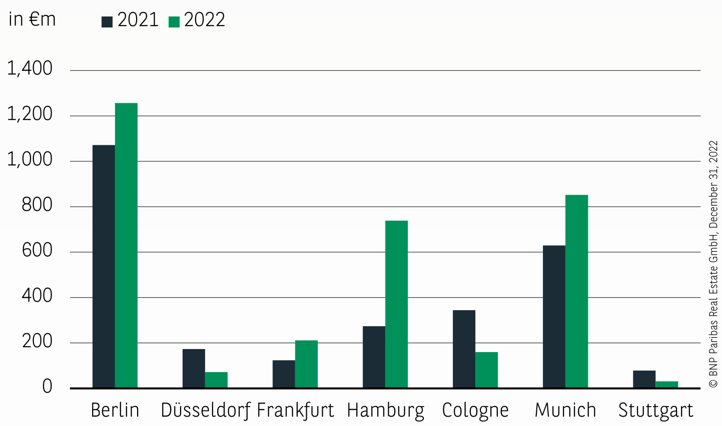
At a Glance Q4 2022

RETAIL INVESTMENT MARKET GERMANY

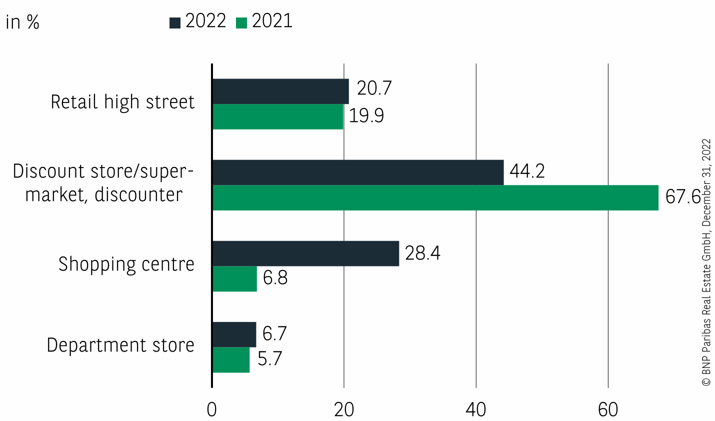
Retail investments in Germany Q1-4



Retail investments in the A-locations Q1-4



Retail investments by type of property Q1-4



PREVIOUS YEAR'S FIGURE EXCEEDED, AVERAGE MISSED

In the wake of the challenging interest rate environment and an uncertain geopolitical situation, the retail investment market was unable to reverse the overall trend in 2022. However, the previous year's result was slightly exceeded by a good 7%. Nevertheless, in a long-term comparison, the investment volume of just under €9.4 billion is still one fifth below the average figure for the last ten years. Whereas the very low volume in the final part of the year (Q4: €1.7 billion) reflects the challenging environment, there are positive signs for the further development of the retail investment market: Most notably, this includes the single investment segment's volume of nearly €5.4 billion, marking the highest volume since 2019 benefiting from a good overall number of deals. Beyond that, market activity for single investments in the triple-digit million range was somewhat more brisk than in the previous two years, although it didn't significantly boost the overall result.

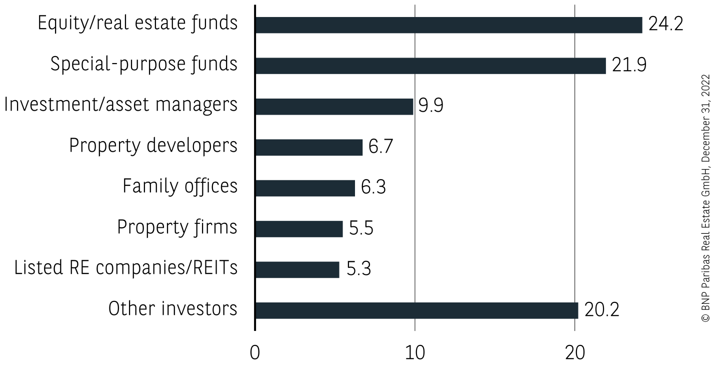
TOP LOCATIONS GAIN MORE THAN THE OVERALL MARKET

With a total of more than €3.3 billion, the A-locations did not achieve an above-average result (€4 billion), but managed to top their previous year's result by almost 23%. Berlin and Munich stand out in this respect, leading the way with around €1.3 billion and a good €852 million respectively. Several high-volume high-street properties changed hands in Berlin: for example, Q207, a high-street property at Kurfürstendamm 12 and the newly built retail property Rosi. Over half a billion euros was also invested in Hamburg (€739 million). Frankfurt (€211 million), Cologne (€160 million), Düsseldorf (€72 million) and Stuttgart (€31 million) rank behind.

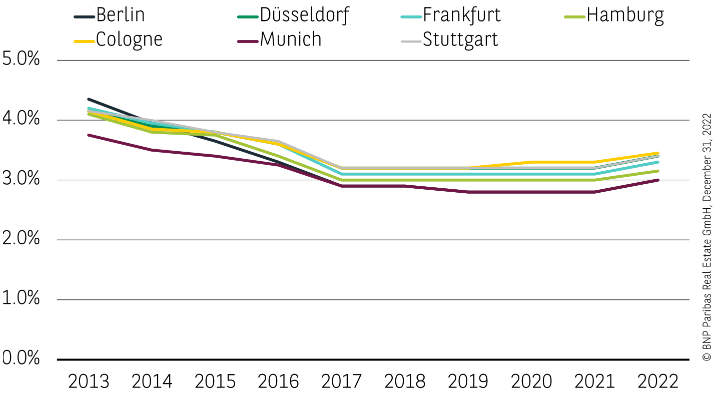
RETAIL WAREHOUSING LEADING, BUT NOT DOMINANT

While the retail investment market has been dominated by the retail warehousing sector in the recent past, the distribution by type of property has become more balanced again: Although the retail warehouse sector leads the rankings with a good 44%, shopping centres (28%), partly due to the EuroShop takeover, and highstreet properties (21%), which benefit from some large-volume and numerous small properties, also contributed substantially. Department stores, which also saw a large number of transactions in the smaller size categories, accounted for an additional 7%.

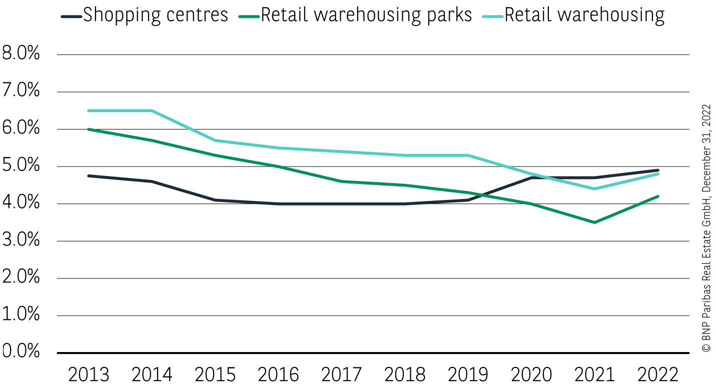
Retail investments by buyer group Q1-4 2022
in %



Retail high street net prime yields in the A-locations



Net prime yields by type of property



EQUITY/ REAL ESTATE FUNDS ON TOP DUE TO TAKEOVER

The takeover of the Dt. EuroShop in the third quarter shifted the ranking of the buyer groups: Equity/Real Estate Funds (a good 24%), which benefit from the takeover, come out on top of the investors' ranking by investment volume at the end of the year. Special-purpose funds remain the top investor group in the single deal segment and, combined with some retail warehousing portfolios, generated almost 22% of the total retail volume. Clearly trailing behind are investment/asset managers (just under 10%), for whom highstreet properties and retail warehousing transactions are currently becoming the main focus of investment. Property developers (almost 7%) also contributed substantially, with the Klöpperhaus (formerly Galeria Kaufhof) in Hamburg's Mönckebergstraße being one of the most important projects. Buyer groups aside from the above mentioned investors represent a further 37% of transaction volume, indicating a relatively broad investor base in the retail segment. International investors account for 41% of market activity, which is slightly less than in the overall commercial investment market (45%).

YIELD EXPANSION ACROSS ALL PROPERTY TYPES AND CITIES

While the top yields for office and logistics properties already showed an upward trend in the middle of the year, the upward trend in the retail segment emerged in the course of the second half of the year. The main reason is that the yield development of premium retail properties has already stagnated in the past years and therefore did not experience a continuous yield compression as it was observed in the core office and logistics segments. Berlin and Munich currently lead the field (3.00% each), followed by Hamburg (3.15%), Frankfurt (3.30%), Düsseldorf and Stuttgart (3.40% each) and Cologne (3.45%). Among the other property types, yields for retail warehousing parks rose by 70 basis points to 4.20%, single retail warehouses went up by 40 basis points to 4.80% and shopping centres also increased by 20 basis points to 4.90% in a 12-month comparison.

OUTLOOK

The retail investment market achieved a respectable result in 2022 considering the geopolitical and financial market-driven uncertainties. The increased result in single investments, the solid number of transactions and the more balanced distribution of transaction volume across the various property types are an indication that dynamic market activity is not always reflected by transaction volume. In addition, the retail investment market could benefit in the long run from the transformation processes in the retail sector, which had already been accelerated during the covid crisis, often involving substantial investments in those assets. Nevertheless, the ongoing pricing phase remains the most decisive factor in the market for the start of 2023.

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