BNP PARIBAS REAL ESTATE

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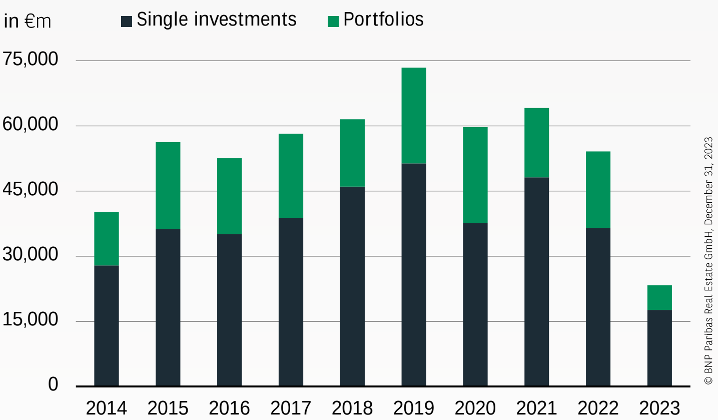
RESEARCH

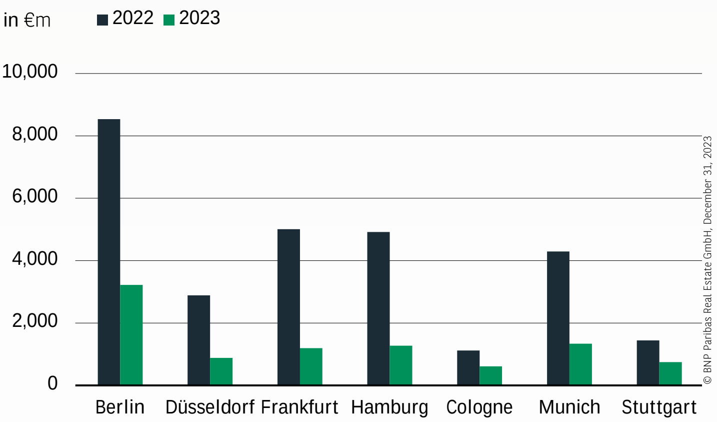
At a Glance Q4 2023

INVESTMENT MARKET GERMANY

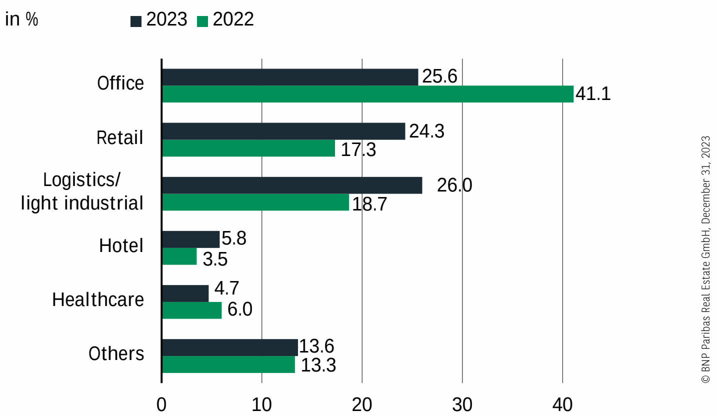
Investment volume in Germany



Investment volume in the A-locations



Investments by type of property in Germany



TURNOVER DECLINES SIGNIFICANTLY AS EXPECTED

A total of just under €23.3 billion was invested in commercial property in 2023. In comparison to the previous year's very good results, the decline in turnover amounts to around 57%, which primarily reflects the significantly changed and difficult financing environment. The 10-year average was also undercut to a comparable extent. The transaction volume therefore remains at a similar level to the years shortly after the financial crisis. The best quarterly result of 2023 was achieved in the last three months of the year with registered investment volume of around €7 billion. The portfolio segment remained comparatively weak in the fourth quarter. Overall, the transaction volume with portfolios totalled €5.66 billion in 2023. This represents a year-on-year decrease of more than two thirds (-68%), which is significantly higher than the decline in single deals (-52%). Individual transactions contribute a good € 17.6 billion to total turnover (-52% compared to 2022), which corresponds to a share of approx. 76%.

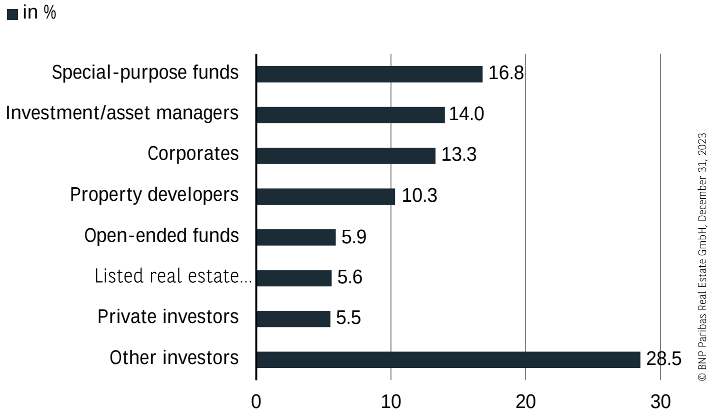
SIGNIFICANT DECLINE IN THE A-LOCATIONS

The investment volume in the German A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart) was a good two thirds lower than in the previous year. At around €9.26 billion, the weakest result in the last ten years has been recorded. By far the most investments were once again made in Berlin with a good €3.22 billion (-62%). Following the capital, Munich, Hamburg and Frankfurt competed in a close one-on-one race for second place, which the Bavarian capital narrowly won with a good €1.33 billion (-69%). The Hanseatic city also made it onto the podium, with turnover totalling €1.27 billion (-74%). Frankfurt was only marginally beaten into fourth place with €1.19 billion (-76%).

LOGISTICS PROPERTIES SLIGHTLY IN THE LEAD

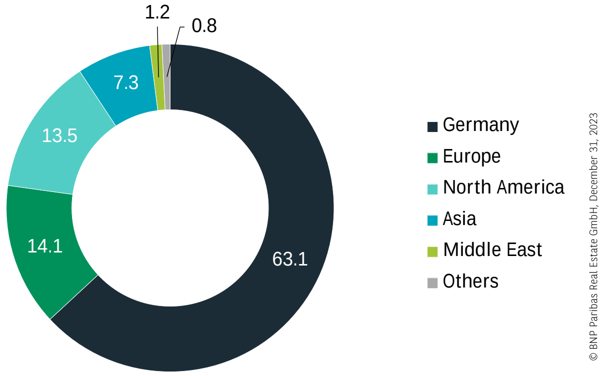
For the first time, logistics properties accounted for the highest share of total commercial investment volume. With a result of just under €6.1 billion, logistics properties were just ahead of the office and retail asset classes. Overall, logistics investments accounted for 26% of the transaction volume. Office properties, in which just under €6 billion was invested, came a very close runner up, accounting for almost 26% of total transactions. The leading trio is completed by retail investments, which account for a good 24% of total turnover. Overall, the transaction volume totalled just under €5.7 billion. The year-on-year decline in transaction volume is similar to that of logistics properties at around 39.5%.

Investments by buyer group 2023

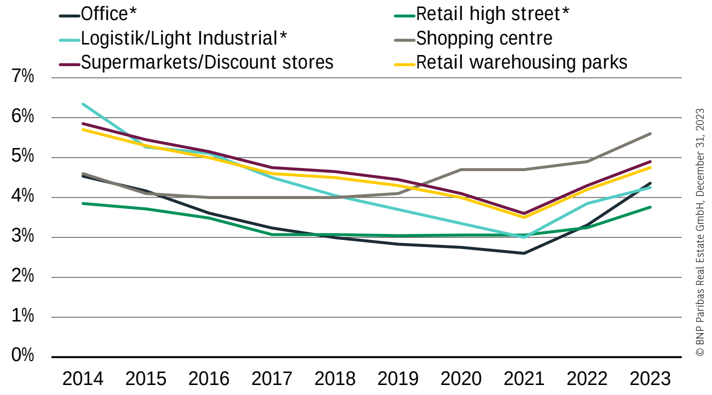


Investments by origin of capital 2023

in %



Development of net prime yields



* Ø A-locations

PROPORTION OF FOREIGN BUYERS BELOW AVERAGE

Transactions are broadly distributed across several buyer groups. Special-purpose funds, which have focussed in particular on logistics properties, are in the lead with just under 17%. The high proportion of 5.5% accounted by private investors is also worth mentioning. The share of foreign buyers remains below the long-term average for the full year. However, at just under 37%, they were able to increase their share slightly over the course of the year.

AS EXPECTED YIELDS SLIGHTLY HIGHER

As anticipated, net prime yields increased slightly in Q4 due to the incomplete interest rate cycle of major central banks. For A-locations, office yields rose by an average of 23 basis points. Munich remains the most expensive location with a prime yield of 4.20%, followed closely by Berlin and Hamburg at 4.25% each. Yields in Cologne and Stuttgart have climbed to 4.40%, while Frankfurt and Düsseldorf are quoted at 4.50% at year-end. The yield for logistics properties increased by 15 basis points to 4.25%. Commercial properties in city centres achieved an average yield of 3.76%, which remained almost unchanged. This is due to the high level of private investor activity in this market segment. Private investors typically operate with more equity and are less sensitive to interest rates than institutional investors. Retail warehouse parks experienced a 5 basis point increase (4.75%). Discounters/supermarkets (4.90%) and shopping centres (5.60%) recorded an increase of 10 basis points each.

OUTLOOK

In 2024, the investment markets may still face challenges in achieving a rapid recovery. Economic forecasts predict only moderate growth for the economy as a whole, at a slower rate than anticipated in mid-2023. Currently, major institutes project GDP growth for 2024 to be between 0.5% and 1%. Against this backdrop, it is uncertain whether the subdued economic development will stimulate consumers' propensity to consume and invest more strongly. However, there are positive signs pointing to a gradual and accelerating recovery in 2024. The price discovery phase is largely complete, and the price levels now reached are accepted by most market participants. Considering the widespread consensus that interest rates have reached their highest point, planning certainty is on the rise, leading to increased investor confidence. Taking into account all of the aforementioned factors, we anticipate a noticeable recovery in the investment markets by 2024, with a significant upswing in the latter half of the year.

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