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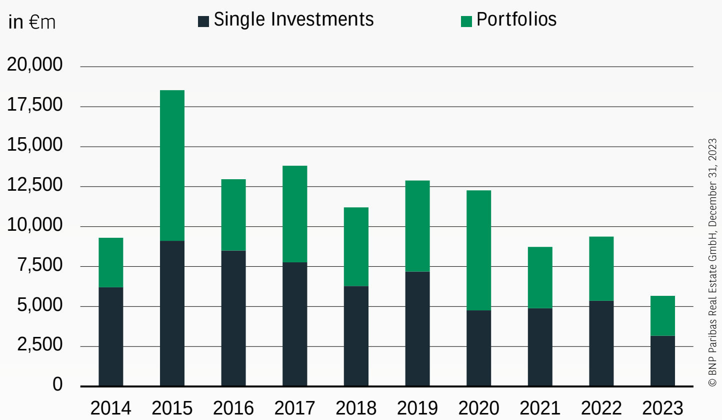
RESEARCH

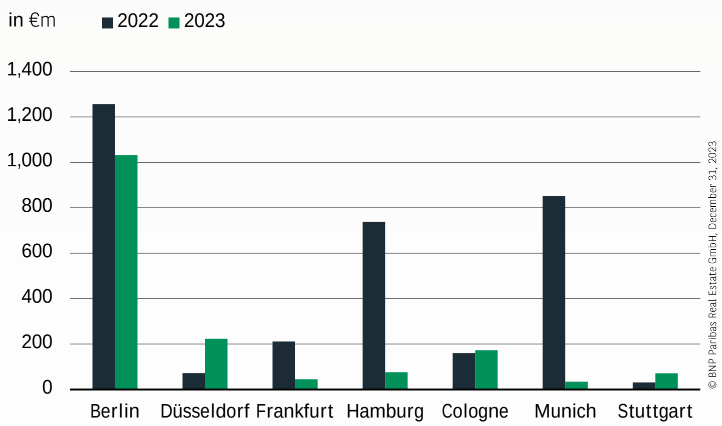
At a Glance Q4 2023

RETAIL INVESTMENT MARKET GERMANY

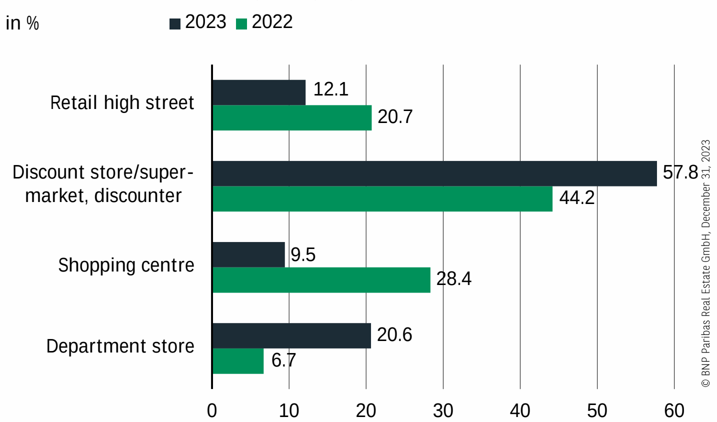
Retail investments in Germany



Retail investments in the A-locations



Retail investments by type of property



LACK OF LARGE DEALS DEPRESSES THE OVERALL RESULT

TThe challenging financial conditions had a significant impact on the commercial investment market throughout the year, as demonstrated by the decreased transaction volume of retail investments. Therefore, the total investment volume of around €5.7 billion can only be compared to the previous year to a limited extent (-40%) and to an even lesser extent to the long-term average (-51%). Further analysis of the data indicates a significant year-on-year decline in turnover for larger segments of €50 million or more (-47%). In contrast, the decline in smaller properties with a volume of €50 million or less was relatively modest (-25%). The fourth quarter, which recorded the highest number of individual transactions, experienced an average transaction volume of only around €12 million, underlining the small-scale nature of the market. It should be noted that this trend is not exclusive to the retail industry, as office and logistics investments also ended the year with a total of approximately €6 billion. The retail portfolio segment is experiencing positive market momentum, although this is reflected more in the number of deals than in turnover (€2.5bn).

HIGHEST TURNOVER EXCLUSIVELY IN BERLIN

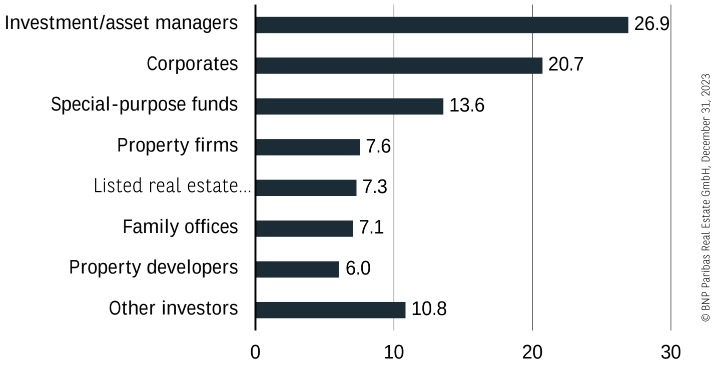
The investment volume of the A-locations reflects the lack of major transactions in the three-digit million range. Sales were around €1.7 billion, which is a 51% decrease from the previous year's result of over €3.3 billion. The largest investment locations in 2023 primarily included smaller transactions in the analysis, in addition to the partial sale of KaDeWe in Berlin in the first half of the year. However, the fact that no other city in the commercial investment market was able to match its performance from the previous year indicates that the retail investment market is also experiencing similar results.

SUPERMARKETS DOMINATE THE RETAIL INVESTMENT MARKET

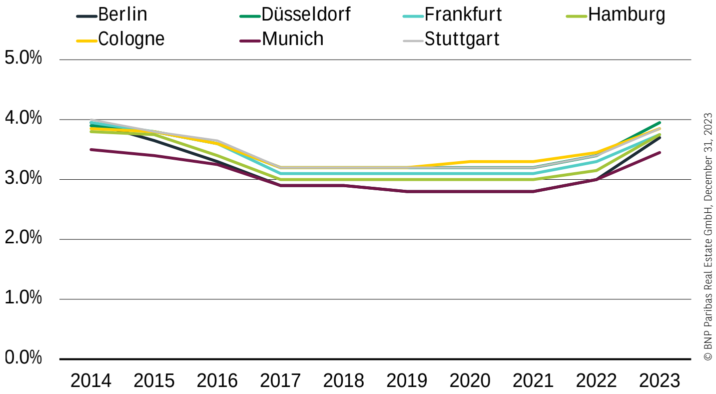
In the second half of the year, the supermarket sector, especially the food sector, continued to strengthen its dominant position in the market, accounting for almost 58%. The largest transactions of the year were the X+Bricks and Royal Blue portfolios, both of which were finalised in the third quarter. The department store segment, which accounts for almost 21%, is characterised by transactions by cities or project developers. In the retail high street sector (just over 12%), activity is concentrated in a large number of smaller properties, while in the shopping centre sector (just under 10%), sales are mainly in smaller cities.

Retail investments by buyer group 2023

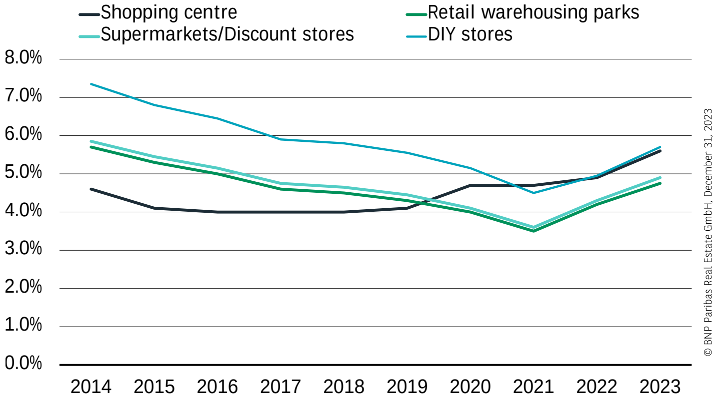
in %



Retail high street net prime yields in the A-locations



Net prime yields by type of property



ASSET MANAGERS AND CORPORATES IN THE LEAD

The distribution of the investment volume by buyer group reflects the impact of major deals in 2023. Investment and asset managers were responsible for the transaction of the X+Bricks portfolio, among others, and contributed the most to total volume with a share of almost 27%. Corporates followed closely behind, accounting for just under 21% of the investments, with notable sales drivers including the KaDeWe shares and the Royal Blue portfolio. Specialist funds were also active again in the supermarket segment in particular, accounting for almost 14% of the total volume. Property companies are also above the 5% mark, contributing just under 8% to turnover, as are real estate AGs/REITs (a good 7%), family offices (around 7%) and project developers (a good 6%), who are primarily active in the department stores' segment. In terms of the origin of investors, German buyers are ahead of international investors (46%) with around 54%. However, foreign investors still achieve an above-average figure compared to commercial investments as a whole (37%).

YIELDS CONTINUE TO RISE

Due to significant changes in financing conditions, prices in the premium high street sector had to be continuously adjusted throughout the year. Overall, further adjustments to net prime yields were unavoidable, even in the top markets. In the ranking of A-locations, Munich (3.45%) currently leads ahead of Berlin (3.70%). Hamburg remains in third place along with Frankfurt (3.75% each), followed by Cologne, Stuttgart (3.85% each) and Düsseldorf (3.95%). However, there have also been price adjustments for other property types this year: retail parks (4.75%), supermarkets/discounters (4.90%), shopping centres (5.60%) and DIY stores (5.70%) have increased between 55 and 75 basis points each.

OUTLOOK

The general factors had a significant negative impact on investment activities across all asset classes in 2023. However, the active market in smaller size classes in single deals and portfolio segments provides hope that large deals will also resume once financing conditions stabilize and further boost investment volume. The retail segment will benefit from the diversified structure and, above all, the crisis resilience of the food sector. Regarding commercial properties, the continuous increase in high-street prime rents is a positive sign. There is potential for further investment in the department stores' segment for project developers, and shopping centres are currently undergoing a repositioning phase, which could make them even stronger. The first quarter will provide clarity on whether the stabilisation tendencies in prices will be consolidated.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 31.12.2023

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