In the first three quarters of this year, the volume of transactions in sizeable stocks of residential units totalled slightly more than 9.47 bn €, corresponding to an increase of 14 % over the prior-year period and bettering the ten-year average by all of 28 %. In fact, this was the third-best result ever registered. This was due above all to a very strong first quarter with an investment turnover of about 5.1 bn €. It was boosted especially by several major deals, such as Deutsche Annington’s purchases of some 30,000 Vitus Group residential units and a further 11,500 units from Dewag, while Buwog of Austria acquired a package of around 18,000 homes. But the third quarter also underlined the ongoing great interest shown in German residential real estate, with turnover of close to 2.55 bn €. Up to now, 188 transactions have been registered, involving almost 160,000 residential units. The average price per home was close to 59,270 € and thus 4 % lower than last year. Almost two-thirds of all deals were concluded in the smaller-unit market segment of up to 25 m €, which underlines the broadly based and lively demand on the part of a range of different investors.

As was to be expected, existing portfolios of housing spread across various locations headed the asset-class ranking with a share of more than 71 % of all turnover. The significance of project developments has continued to firm up, and their share of the transaction volume at the end of nine months is still nearly 10 %. This market segment attracts in particular equity-rich core investors engaged in an intensive search for opportunities to deploy their capital. Block sales of older properties now account for a considerably bigger proportion of turnover than before, with more than 16 %. Many different types of investors are active in this field, especially in the small-volume range.

There have been no sharp changes in the distribution of sales according to size classes. Major deals upwards of 100 m € remain well out in front with a share of nearly 64 %. Next, with 14 %, come sales of between 25 and 50 m €. The 50-100 m € size class has declined in importance somewhat to generate a share of just under 9 %. Smaller investments of up to 10 m € secured more or less the same share as before, with nearly 4 %. In terms of the actual number of transactions, though, this bracket leads the field, accounting for more than one third of the total.
LISTED REAL ESTATE COMPANIES REMAIN PREDOMINANT
At the end of the third quarter, listed real estate companies continue to dominate market activity. In all, they have been responsible for more than 59% of the transaction volume, thanks primarily to the largest deals. Special-purpose funds, the only other investor category to generate a double-digit share, have contributed just over 12% to the result. Then come property firms (7%), public-sector companies (just under 5%), investment managers (over 3%), and pension funds and equity/real estate funds (each just under 3%).

GERMAN INVESTORS ACCOUNT FOR NEARLY 80%
Due especially to the major purchases concluded by listed real estate companies, market activity has been largely dominated by German investors. They account for more than 79% of the transaction volume, while the proportion of investors from abroad has fallen slightly to just under 21%. As before, investors from other parts of Europe were the most active, generating close to 16% of all turnover. The lion's share of this was due to the Buwog of Austria purchase of 18,000 homes referred to earlier. Market participants from North America contributed slightly less than 2% to the total.

PURCHASE PRICES REACH PLATEAU
Following rises in recent years, purchase prices now appear to have firmed up at their present level. At any rate, there have been no marked changes in this respect. It must be noted, however, that the tough competition for high-quality project developments in the top locations of big German cities is making itself felt. More and more frequently the prices obtained for such projects, often conceived as forward deals, are at the top of the given range or even above it. Existing portfolios still cost from 750 to 900 €/m². Purchase prices for block sales mostly continue to be between 1,100 and 1,300 €/m².

DEMAND SET TO REMAIN LIVELY IN FINAL QUARTER
The large number of sales already concluded and the strong interest exhibited by a whole spectrum of different investor groupings suggest that demand for German housing will remain buoyant in the final quarter of this year. Just how high the transaction volume for the year as a whole ultimately proves to be will depend strongly on just a few major deals – and there are not all too many of these due to be finalised before the end of December. In view of this, the result is unlikely to match the extremely good total achieved last year. Instead, it seems realistic to expect 2014 to produce a turnover of some 11 to 12 bn €, which would be roughly on a par with the level registered in 2012.