INVESTMENT MARKETS DOWN SO FAR ON PRIOR-YEAR LEVEL

Investment in commercial property in Germany in the 1st half of 2012 totalled around 9.7 billion € – nearly 14 % less than in the same period last year. Following a solid start to the year, with investment in German commercial property in the 1st quarter amounting to almost 5.3 billion €, turnover in the 2nd quarter – at slightly more than 4.4 billion € – was quite a bit lower. However, viewed against the background of the renewed escalation of the state debt crisis and the associated uncertainty regarding the further development of the euro-zone and the financial markets, this is hardly surprising. Fundamentally, despite these unsettling factors, commercial property in Germany still enjoys strong demand. Of the total invested in commercial property in the 1st half, single deals accounted for 7.77 billion € (80 %) and portfolio transactions for 1.93 billion € (20 %). The fall in the transaction volume was due entirely to the development in the field of single deals.

BIG SIX LOCATIONS ALSO HAVE QUIETER FIRST HALF

The Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich) also reported a year-on-year decline in their investment volume, with a total of around 4.7 billion € (-17 %). All the same, this result was one of the highest in the past decade. Investment in all locations fell by a double-digit percentage margin, with the sole exception of Munich. There, thanks to several large deals, turnover reached almost 1.39 billion € (+83 %). This gave Munich first place in the inter-city ranking, ahead of Berlin, with about 1.04 billion € (-18 %), Frankfurt, with 885 million € (-33 %) and Hamburg, with 722 million € (-46 %). Düsseldorf (387 million €, -17 %) and Cologne (239 million €, -49 %) were also unable to match their good prior-year results.

OFFICES REMAIN IN FIRST PLACE

In the 1st half, office buildings were again by far the most favoured asset class, with a share of around 40 % of the transaction volume. They thus finished ahead of last year’s leaders, retail properties, which generated only just under one third of turnover. Logistics complexes were also in strong demand and contributed about 9 % to the total. Hotels, on the other hand, attracted considerably less investment than in the comparable prior-year period, with their share dropping to slightly under 4 %.
EVEN SPREAD BETWEEN INVESTOR GROUPS

The relatively uniform and broad distribution of turnover between the different groups of investors is an indication of the ongoing attractiveness of the German markets. The ranking was headed by private investors, with a share of around 15%. They were followed by special-purpose funds (13%), listed real estate companies (11.5%), equity/real estate funds (nearly 11%) and closed-end funds (just over 10%). In addition, project developers invested almost one billion € (10%).

GERMAN INVESTORS CONTINUE TO DOMINATE SCENE

The proportion of foreign buyers in the 1st half was slightly over 32%. Although the figure was somewhat higher than in the first three months, it remains at a fairly low level. This becomes particularly apparent in view of the fact that just over one fifth of the total sum injected by foreign investors comprised purchases by Unibail-Rodamco. So far this year, market activity has been dominated mainly by German investors. However, this should not be seen as a sign of any lower level of interest in the German market on the part of investors from abroad.

YIELDS UNCHANGED

In spite of the ongoing shortage of attractive investment opportunities in the premium segment, office yields still remained stable in the 2nd quarter in all the cities under review. This means that where top properties are concerned, Munich remains the most expensive location, with a yield of 4.75%. It is followed by Hamburg, with 4.8%, and Frankfurt, with 4.9%. Close behind come Berlin, with a net prime yield of 4.95%, and Düsseldorf, with 5%. Cologne remains the only city with a yield of over 5%; the figure there is 5.3%. The prime yield for first-class office/retail buildings in the best shopping streets of the individual cities averages out at 4.34%. For logistics complexes, the prime yield currently ranges between 6.5% and 6.85%, with an average for the Big Six of 6.69%. Overall, yields should now have reached their lowest point, even though the possibility of a slight decline in isolated cases in response to the continuing pressure of demand cannot be excluded.

OUTLOOK

Although the investment volume was somewhat lower in the 2nd quarter, the signs from today's angle point less to a strengthening trend than to a temporary period of weakness. The way things evolve next will depend chiefly on the solutions found for the euro crisis, the development of interest rates, and the capacity for action on the part of the financial markets. Particularly in difficult times, demand for real estate assets and secure locations is maintained, so in view of the fact that Germany is still the safest haven in Europe, we are sticking to the forecast we made at the beginning of this year, of an investment volume in commercial property that tops 20 billion €.