In the first three months of 2013, investment markets sustained the dynamism of 2012’s end-of-year rally with undiminished momentum. At over 7 bn €, the nationwide transaction volume was not only significantly higher than the comparable prior-year figure but also by far the best first-quarter result of the last five years. One key contribution to the marked increase in turnover was the anticipated resurgence of sizeable portfolio deals. Just like last year, the asset class ranking was headed – by a large margin – by office buildings. Of the total of around 7.06 bn € invested in commercial properties in the first three months, single deals accounted for 4.58 bn €, equivalent to just under 65 % of aggregate turnover. One of the outstanding transactions was the sale of the Kö-Bogen in Düsseldorf. The volume of portfolio deals more than doubled year-on-year; in the first quarter these generated 2.48 bn € (+121 %). Fuelling this total were two major transactions of more than 400 m € in each case: the Prime portfolio, which included One Goetheplaza in Frankfurt, and the sale of the SEB portfolio.

The very good start to the year in the investment markets had a broad and healthy basis, as indicated by the fact that all the key cities registered higher turnover figures. The Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich) were able to lift their combined transaction volume by more than 56 % to almost 4.1 bn €. Once again, the ranking was headed by Berlin, where investment totalled 806 m €. But not far behind the German capital came Munich (783 m €), Frankfurt (778 m €) and Hamburg (765 m €). The biggest relative increase, though, was that registered by Düsseldorf (+172 %) with turnover of 662 m €. Cologne was also able to more than double its prior-year result by attracting investment of 303 m €.

Just like last year, when offices regained their leading position, this asset class again dominated investment markets in the first quarter of this year. Nearly 40 % of the transaction volume (2.78 bn €) went into office buildings. In view of the inadequate supply in the core segment, retail properties have continued to lose ground; in the first three months they accounted for 1.46 bn € (21 %). One notable factor was the strong level of investment in logistics complexes, which generated nearly 12 % of the result. Hotels also performed well, with a share of just over 9 %, fuelled primarily by a large portfolio deal for about 300 m €.
Special-purpose funds were the biggest investors in the first quarter of 2013, accounting for almost 21% of all turnover. In second place came equity/real estate funds (16.5%). Taking only portfolio deals into consideration, each of these two investor groupings actually generated around 30% of the total. Completing the leading trio were private investors/family offices with close to 11%. But sizeable roles were also played by pension funds (nearly 10%) and corporates (over 9%). Closed-end funds and project developers each also contributed more than 7% to the transaction volume.

German investors predominate
Just as in 2012, German investors performed very strongly in the first quarter of 2013; together they were responsible for more than 68% of investment turnover. When just single deals are considered, their share was even slightly higher (72%). Foreign investors remain very active, though, and actually stepped up their relative share somewhat to just under 32% (prior-year quarter: 28%). One distinct indication of just how interesting Germany is for them as an investment location is the absolute volume of capital they have deployed; this came to 2.24 bn €, which is almost 770 m € more than in the first three months of last year.

Yields Stable
As was expected, yields remained stable at the beginning of 2013. The prime yields for office properties in the different cities are currently as follows: Munich 4.60%, Hamburg 4.70%, Frankfurt 4.75%, Berlin 4.80%, Düsseldorf 4.90% and Cologne 5.20%. Yields in the other market segments have also stayed unchanged. Top yields for first-class retail/office buildings in the best shopping streets of the six major German cities average out at 4.20%. Logistics complexes in the top locations currently have prime yields of between 6.50% and 6.85%. Although there is a possibility that the ongoing tough competition for coveted premium products may in isolated cases make yields ease slightly further, the overall picture suggests that they have now largely bottomed out.

Outlook
In the remaining months of this year, German properties will continue to be a focus of attention for both domestic and international investors. This positive development is backed by a number of wider factors, such as the low interest rates, the virtual lack of any safe investment alternatives, and Germany’s stable economic situation in comparison to the rest of Europe. Against this background, 2013 looks likely to once again produce an investment volume of at least 25 bn €.