With a first-quarter transaction volume of just over 1.46 bn € in 2013, investment in retail properties in Germany fell just short of the comparable prior-year result, slipping by 5 %. Just as in 2012, the total was also well below the long-term average. The reason why it has again proved impossible to match the outstanding figures posted in 2010 and 2011 is the ongoing shortage of relevant assets, especially in the large-volume core segment. In the first three months, there were only two deals of over 100 m €: the Kö-Bogen in Düsseldorf and a portfolio sale. There has been a particular lack of shopping centre transactions. On the other hand, the smaller and mid-range market segments exhibited lively demand, especially for retail/office properties. Single deals accounted for about 78 % of aggregate turnover, while portfolio transactions contributed just under 320 m € (22 %) to the total.

In contrast to the general trend, the scale of retail investment in the Big Six cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) rose significantly to produce an aggregate total of close to 954 m €. This was fuelled chiefly by the sale of the Düsseldorf Kö-Bogen for over 400 m €. That put this city well ahead of the other major centres. In second place came Frankfurt with about 260 m €. It was followed by Berlin (157 m €) and Hamburg (111 m €). Just like the year before, turnover in Cologne was very low, at slightly under 8 m €, while in Munich no sizeable transaction at all has been registered so far.

In terms of investment by asset class, the ranking this year was headed quite clearly by downtown retail/office buildings. In the first quarter of 2012, these had fought a neck-and-neck race with shopping centres for the No. 2 spot, while this year they accounted for about 54 % of all turnover (+64 %). Specialised discount stores and supermarkets – the prior-year leaders – took second place with 25 %, posting a considerable decline (-27 %). Department stores stepped up their turnover substantially, pushing them up into third place with 17 %. So far this year, shopping centres have played hardly any role on the investment front (4 %), attracting about 440 m € less capital than in the first three months of last year.
BROAD SPECTRUM OF INVESTORS

Another indication that retail assets are still enjoying very strong demand that cannot at present be met by the available supply is the broad distribution of investment among the different groupings. In all, five categories of investors achieved turnover shares in the double-digit percentage range. As was to be anticipated, conservative investors are especially active. Well ahead of the others, with 32% of the transaction volume, came pension funds. Second place, with slightly under half that share (15%), went to special-purpose funds. Third place was shared by equity/real estate funds and private investors, with each of these groupings responsible for around 12% of the aggregate transaction volume. But sizeable contributions were also made by project developers (11%) and closed-end funds (7%). In the first quarter, all the other investor categories played only a subordinate role.

PRIME YIELD STABLE IN FIRST MONTHS OF 2013

The tough competition for those core properties which are available on the market is also highlighted by the fact that prime yields eased somewhat further in most locations towards the end of 2012, slipping by 15 basis points on average. So far this year, they have stabilised at that level. The net prime yields for inner-city retail/office assets in the top German locations range between 4.05% in Munich, which is thus still the most expensive city in the country in this respect, and 4.35% in Berlin. The figures for the other main locations are: Hamburg 4.10%, Düsseldorf and Cologne 4.20%, and Frankfurt 4.30%. The prime yield in the six most important German locations thus averages out at 4.20%, which is an all-time low.

Net prime yields for shopping centres has been around 4.75% and can be even lower in isolated cases. The prime yield for specialist retail centres remained unchanged at 6.30% in the first quarter, while the figure for stand-alone specialised discount stores is 6.75%.

OUTLOOK

In spite of the slow start to the year, retail buildings are sure to be among the most coveted real estate assets in the months to come. But the extent to which this is reflected in actual investment turnover will continue to depend primarily on the available supply. In view of the fact that the economy will probably gain in momentum in the second half of this year, an increase in the transaction volume seems likely. So it appears realistic to expect investment turnover in 2013 as a whole to total between 7 and 8 bn €, more or less on a par with the prior-year level.