In the first three months of 2013, investment in office properties totalled 2.78 bn €. This not only exceeded the already very good prior-year result by 26 % but was also the second-best turnover ever registered in any first quarter. It bettered the long-term average by 24 %. Only in the exceptional boom year of 2007 was the transaction volume in the first three months even higher. This means that office properties have reasserted the leading position they regained in 2012 and have actually strengthened this status by capturing almost 40 % of all investment in commercial properties in Germany. Single deals accounted for more than three-quarters of the result (2.13 bn €). In this connection it is interesting to note that there were only three deals of over 100 m €, indicating that the good performance was based on broad demand, which is especially pleasing from the market angle. Portfolio deals were responsible for 24 % of the total (658 m €); here, the outstanding transactions involved an SEB portfolio (420 m €) and the so-called Xanadu package (180 m €).

By far the biggest contribution to the excellent turnover was made by the Big Six cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich). Together, they posted a total of over 2.1 bn €, thus stepping up their prior-year performance by all of 34 %. Higher year-on-year figures were posted by all the locations with the exception of Frankfurt. Its total, 388 m €, represented a fall of 33 %, but this must be seen in relation to the fact that investment in this city in the first quarter was influenced to a disproportionate extent by a very large deal. Heading the inter-city ranking was Munich, with nearly 600 m € (+38 %). It was followed by Berlin (430 m €), where office investments were six times higher than in the prior-year quarter. The transaction volume in Hamburg (322 m €) was one quarter up on the 2012 figure. Impressive performances in the first three months were also registered by Cologne, with 199 m € (+111 %), and Düsseldorf, with 168 m € (+18 %).

Office assets in B-locations and medium-sized cities also again attracted substantial investment. Cities with over 250,000 inhabitants accounted for a combined total of around 386 m €, while those with populations of between 100,000 and 250,000 registered aggregate turnover of 74 m €. It is notable that even in small towns with fewer than 100,000 inhabitants, office properties generated a total of 108 m €.
SIZE STRUCTURE MORE BALANCED THAN IN PRIOR YEAR

Another positive factor – in addition to the increase in absolute turnover – is that the transaction volume was spread more evenly across the different size classes rather than being fuelled by just a few mega-deals. This can be seen as evidence of a very broad and lively basis of demand. Admittedly, the category upwards of 50 m € remained in the lead, but at 52.5 % its share of the total was 12 percentage points down on the prior-year figure. Second place was taken by deals of between 25 and 50 m € (over 23 %). Then came the 10-25 m € bracket (almost 17 %), while smaller sales of under 10 m € contributed slightly less than 8 % to the total.

RELATIVELY UNIFORM INVESTOR STRUCTURE

Another indication of the currently broad basis of demand for office assets is the pattern of investor categories. All of five investor groupings generated double-digit percentage shares of aggregate turnover. Leading the ranking, with almost 20 %, were listed real estate companies. They were followed by equity/real estate funds with just under 14 %. Very close behind came open-ended funds (nearly 13 %). Other sizeable contributions were made by private investors/family offices (11 %), special-purpose funds (10 %) and insurances (9 %). Foreign investors accounted for around 35 % of the transaction volume; their main focus was on the portfolio segment.

PRIME YIELDS UNCHANGED

Towards the end of 2012, in response to strong demand, yields underwent a further slight fall in almost all locations, but in the first quarter of 2013 they stabilised. Munich remains the most expensive city in Germany, with a net initial yield of 4.60 %. Just behind comes Hamburg with 4.70 %. The figures for the other cities are: Frankfurt 4.75 %, Berlin 4.80 %, Düsseldorf 4.90 % and Cologne 5.20 %. The average prime yield in the Big Six locations is thus 4.83 %, which is about 30 basis points below the average of the past ten years.

OUTLOOK

In the remaining months of this year, German office properties will continue to be a focus of attention for both domestic and foreign investors. The positive development is backed by several 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. It is also the case that a number of sizeable sales are currently in the pipeline. Against this background, the transaction volume in 2013 as a whole could exceed the figure registered last year.