RESEARCH

GOOD START TO THE YEAR FOR RESIDENTIAL INVESTMENTS

Investment in sizeable portfolios of residential properties in the first quarter of 2013 totalled 1.83 bn €. This does not include the IPO of LEG NRW since that is not classified as a property transaction. Even though the first-quarter result was well down on the exceptional performance registered the year before, it was still more than satisfactory by long-term standards and had otherwise been bettered only in the boom years of 2006 and 2007. Market activity was particularly lively in the field of smaller and mid-size transactions. The survey covered a total of 59 deals involving more than 32,000 residential units. The average volume per transaction was around 31 m € and thus more than 50 % lower than in 2012, when the figure had been strongly influenced by several major sales. The most important deals included the sale of about 5,300 homes in Berlin to Deutsche Wohnen AG and the disposal of about 3,700 units – mainly in North Rhine-Westphalia, Hesse and Berlin – by CORESTATE.

SHARP INCREASE IN PROJECT DEVELOPMENT SALES

Although portfolios of existing properties spread across several locations again finished well out in front in the asset-class ranking with a share of some two-thirds of all turnover, their dominance was not quite as marked as it had been the year before. Sales of project developments, on the other hand, increased substantially and they contributed more than 18 % to the result (prior-year period: 3 %). This shows that conservatively oriented investors in particular are now again exhibiting much greater interest in acquiring residential assets in the big German cities. A further share of just over 14 % of turnover comprised block sales of older units.

BUOYANT DEMAND IN ALL SIZE CLASSES

The biggest contribution to turnover was made by portfolio sales in the range upwards of 100 m €, but their share of the total – 41 % – was only around half of the prior-year figure (82 %). Overall, the first quarter of this year produced a significantly more balanced distribution of investment in terms of size. In second place came deals of between 25 and 50 m € (19.5 %), followed by sales in the 50-100 m € bracket (more than 18 %). But small-range transactions of between 10 and 25 m € also generated nearly 15 % of aggregate investment.
THREE INVESTOR GROUPINGS OUT IN FRONT
In the first quarter of this year, three types of investors played a particularly active role and together accounted for almost 80% of the transaction volume. Clear-cut leaders, with a share of 37%, were special-purpose funds. A considerable way behind in second place came equity/real estate funds (24%). Third place was taken by listed real estate companies, which contributed nearly 18% of the total. Pension funds and insurances, which last year were strongly represented, have up to now been quite reticent.

GERMAN INVESTORS REMAIN PREDOMINANT
Just as in the past few years, German investors again led the field quite clearly in the first quarter of 2013, generating around three-quarters of all turnover. Accordingly, foreign market players contributed about 25% to the transaction volume. These were headed by European investors, with a share of 20.5%. North American investors have so far accounted for only just over 4% of the total. Up to now, buyers from other regions have not played much of a role. However, investors from the Middle East did acquire residential stocks on a small scale.

PURCHASE PRICE LEVELS LARGELY STABLE
In the field of large portfolios of existing properties, average purchase price levels are now in the range 700-850 €/m² and have thus risen slightly. Units in project developments in the large German cities command prices between just under 3,000 €/m² and just over 4,000 €/m². In the case of stocks of older properties, average prices remain between 1,000 and 1,200 €/m².

STRONG MOMENTUM SET TO CONTINUE
All the signs point to sustained strong demand during the rest of this year, with a correspondingly high turnover. Alongside several large deals, such as the sale of the Bavarian GBW, activity will also remain substantial in the field of small and mid-range deals. Institutional investors in particular are exhibiting growing interest, especially in the higher-price segment of modern portfolios and above all in project developments. Against this background 2013 looks certain to produce another above-average transaction volume. This will, though, probably be lower than last year’s result (11.4 bn €). From today’s angle, it seems realistic to anticipate an investment turnover of between 5 and 7 bn €.

Average sales prices according to asset classes

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Older properties*</td>
<td>1,000-1,200 €/m²</td>
</tr>
<tr>
<td>Existing portfolios</td>
<td>700-850 €/m²</td>
</tr>
<tr>
<td>Modern properties*</td>
<td>1,900-2,100 €/m²</td>
</tr>
<tr>
<td>Projects</td>
<td>3,000-3,500 €/m²</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,300-2,500 €/m²</td>
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</tbody>
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* Block Sales in one location