In the first half of 2013, investment in office properties in Germany totalled 5.58 bn €. That not only exceeded the already very good prior-year result by all of 43 % but was also the second-best half-year performance of all time. Only in the boom year of 2007 was turnover in the first six months considerably higher, but that is not strictly comparable. This year’s figure was also 16 % up on the long-term average. Just like last year, office buildings were the most favoured asset class, a fact impressively confirmed by a share of more than 42 % of the aggregate transaction volume in commercial property. The emphasis in the first half was quite clearly on single deals, which accounted for 85 % of all turnover. But in absolute terms, there was also a very marked increase in investment in portfolios. These contributed more than 840 m € to the result. The most important transactions were the sale of the Galileo and Skyper office towers, both in Frankfurt. But the disposal of an SEB portfolio (420 m €) also made a substantial contribution to the extremely dynamic first half.

In line with the nationwide development, Germany’s Big Six office centres (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) also stepped up their aggregate transaction volume quite substantially to total almost 4.5 bn €. That represents a year-on-year rise of nearly 56 % and was thus even slightly higher than the nationwide average increase. It is pleasing to note that all these locations registered marked growth. Just ahead in first place came Frankfurt, with slightly over 1.19 bn € (+93 %), in front of Munich, with around 1.18 bn € (+21 %). Berlin attracted 56.5 % more investment than a year ago (849 m €) to take third place. As was to be expected, the leading quartet was rounded off by Hamburg, with 672 m € (+69 %). But Düsseldorf and Cologne also benefited from the generally positive trend and made appreciable contributions to the impressive first-half result, with 429 m € (+58 %) and 218 m € (+97 %) respectively.

There was also extensive investment again in office properties in 8-locations and mid-size cities. Together, cities with over 250,000 inhabitants accounted for about 537 m €, while those with populations of between 100,000 and 250,000 registered an aggregate total of 122 m €. But even small towns with fewer than 100,000 inhabitants made a not insignificant contribution, with combined turnover of 153 m €.
SIZE STRUCTURE LARGELY UNCHANGED

Where the size structure of sales is concerned, there were hardly any year-on-year changes. As before, the ranking was headed quite clearly by transactions upwards of 50 m €, with a share of more than 60 % of turnover. Next, with more or less equal shares, came the categories 10-25 m € (16.5 %) and 25-50 m € (over 16 %). Smaller deals of up to 10 m € made a respectable contribution of nearly 7 % and achieved a considerably higher absolute volume. But that also applies to all the other size categories, something which again highlights the broad basis of demand for German office properties.

BROAD SPECTRUM OF INVESTORS

Another fact which underlines the scale of investor interest in German office buildings is the very varied range of the players involved. In all, seven different types of investors accounted for shares of between 9 and just over 14 % of total turnover. The list was topped by special-purpose funds with slightly more than 14 %, followed by insurances (14 %) and private investors (nearly 14 %). Other double-digit percentage contributions came from listed real estate companies (12.5 %) and equity/real estate funds (11 %). The leading group also included open-ended funds (close to 10 %) and pension funds (9 %). Foreign investors were responsible for about 36 % of the transaction volume. In the portfolio segment they actually finished well ahead of German investors.

PRIME YIELDS STABLE

Towards the end of 2012, strong demand made yields in almost all locations ease somewhat further but in the first half of this year they remained stable. As before, Munich is the most expensive city in Germany, with a net initial yield of 4.60 %, just ahead of Hamburg with 4.70 %. The figures for the other major locations are: Frankfurt 4.75 %, Berlin 4.80 %, Düsseldorf 4.90 % and Cologne 5.20 %. So the average prime yield for the Big Six is 4.83 %, which is around 30 basis points below the average of the last ten years.

OUTLOOK

Demand for German office properties remains very buoyant. The interest shown in particular by equity-strong investors from abroad continues to grow. A not inconsiderable role in this is played by Germany's stable overall economic situation – which stands up well in any European comparison – and the country's positive prospects for the future. Against this background, and in view of several large-unit sales currently in concrete preparation, the second half can also be expected to produce a substantial turnover and so there is a good chance that the transaction volume for 2013 as a whole will once again pass the 10 bn € threshold.