RESEARCH

RETAIL INVESTMENT GOES ON GROWING

The positive trend of the first half has continued unabated. Altogether, investment in retail properties in the first three quarters of this year reached nearly 5.52 bn €, a rise of about 22 % compared with the same period in 2012. The significance of these assets has actually gained in momentum since the mid-year point. It is gratifying to note that this dynamic development has been fuelled by both single deals and portfolio transactions. Single properties accounted for more than 4.13 bn € (+23 %), portfolios for 1.38 bn € (+20 %). The fine performance was due to a considerable extent to a number of sizeable sales. In all, 14 transactions in the triple-digit million range were registered – nine single deals and five portfolio sales. The most important deals included the Kö-Bogen in Düsseldorf (over 400 m €) and the Kaiserplatz-Galerie in Aachen (just under 300 m €).

VARYING DEVELOPMENTS IN TOP LOCATIONS

In the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich), the transaction volume has risen especially strongly, by 55 % overall. However, developments varied. Sharp increases in Berlin, with 847 m € (+194 %), Düsseldorf, with 491 m € (+742 %), and Frankfurt, with 469 m € (+69 %), contrasted with lower market activity and only a few small deals in Cologne, with 21 m € (-84 %), and Munich, with 12 m € (-96 %). In Hamburg, there was extensive investment in this sector, producing a total of slightly more than 372 m €, representing a modest year-on-year decline of less than 5 %.

SUPERMARKETS AND RETAIL/OFFICE BUILDINGS IN TOP PLACE

Around one third of all turnover was generated by specialist discount outlets and supermarkets, which thus moved up into top place just marginally ahead of inner-city retail/office properties (32 %). The growth of turnover in discount stores and supermarkets shows that investors are now somewhat readier to take risks and are deploying rather more capital outside the core segment. One reason for this is the scarcity of top products. In third place came shopping centres, with a share of 22 %. In contrast to the other types of retail property, their significance not only declined in relative terms, they also attracted less investment than before in absolute terms. This, too, is due primarily to the lack of large-volume assets. Department stores contributed just under 13 % to the total.
**RELATIVELY BROAD SPECTRUM OF INVESTORS**

Altogether, five investor groupings generated double-digit percentage shares of aggregate turnover. This shows that demand for German retail properties is broadly based and that they attract investors of different types. As was to be expected, first place in the ranking was occupied by special-purpose funds, with nearly 27% of the transaction volume. In second place, just as at the mid-year point, came private investors/family offices with just over 17%; they thus remain one of the most important sources of demand for high-quality retail buildings. In third place, with close to 12% of all turnover, came listed real estate companies. They finished just slightly ahead of equity/real estate funds, which achieved a share of just over 11%. The final place in the top five was taken by pension funds, which contributed 10.5% to total investment. This distribution is renewed evidence that security-minded investors in particular are continuing to exhibit great interest in retail properties.

**YIELDS DEVELOP IN DIFFERENT WAYS**

In the period July to September, yields for inner-city retail/office buildings – where the price level is already very high – again remained unchanged. Net initial yields for high-street assets in the major German cities range between 4.05% in Munich, still the most expensive location in Germany, and 4.35% in Berlin. The figures for the other cities are: Hamburg 4.10%, Düsseldorf and Cologne 4.20%, and Frankfurt 4.30%. So on average across the six most important cities, the prime yield remains at the historically low level of 4.20%. In exceptional cases involving absolutely trophy properties, yields can be even lower.

Prime yields for shopping centres are currently the same as before, at around 4.75%, but in view of limited supply and tough competition, there is a possibility of them easing somewhat in individual cases. Where specialised retail outlets are concerned, prime yields have already fallen, reflecting the somewhat higher risk-readiness on the part of some investors which has stepped up competition for sizeable assets. So the prime yield for specialist retail centres is now 6.10% and for stand-alone specialised discount stores it is 6.50%.

**OUTLOOK**

Since demand for high-grade German retail properties remains high and since there is now again also growing interest in value-add assets, the trend towards an increase in investment turnover looks set to be maintained in the fourth quarter, too. Backing this assessment is the fact that particularly in the field of single properties there are some spectacular deals imminent. So for the year as a whole, the signs point to a transaction volume of at least €8 bn.