In 2013, the investment market for sizeable stocks of residential properties (upwards of 30 residential units) continued the surge begun in 2012 and actually stepped up its pace. The transaction volume of close to 14.72 bn € exceeded the already exceptional prior-year total by 29 %. Only in 2005 and 2007 were somewhat higher figures recorded. An extremely strong contribution to this out-of-the-ordinary result was generated by large deals of over 100 m €. In first place came the acquisition of 91 % of the shares of GSW AG by Deutsche Wohnen in a deal valued at 3.3 bn € after taking liabilities into account. The second-biggest transaction was the sale of more than 29,000 units owned by GBW Bayern to Patrizia AG for more than 2.2 bn €. In this, Patrizia AG is the head of a consortium comprising several German pension funds, provident funds and savings banks. This is fresh evidence of the fact that in particular equity-rich core investors are exhibiting great interest in large stocks of residential properties with their assured cashflows. Altogether, over 250 transactions involving more than 240,000 homes were covered by the survey. Due to the mega-deals referred to above, the average volume per sale was nearly 58 m €.

**EXISTING PORTFOLIOS TAKE CLEAR LEAD**

Fuelled significantly by the Deutsche Wohnen and Patrizia AG acquisitions, the proportion of total investment represented by existing portfolios climbed to almost 81 %. In second place, with more or less the same share as the year before, came block sales of older units, which generated just over 10 % of the transaction volume. Project developments attracted considerably more capital than before, frequently in the form of forward deals. This category accounted for about 1.17 bn €, which was deployed mainly in the major German population centres where the demographic development is expected to be positive.

**LARGE DEALS GENERATE TWO-THIRDS OF TURNOVER**

In view of the huge transactions mentioned above, it is hardly surprising that sales upwards of 100 m € accounted for more than two-thirds of all investment. But most of the other market segments also registered higher volumes year-on-year. The three size brackets between 10 and 100 m € each achieved shares of between 8 and 10 %. So overall, the basis of demand was broad and very balanced.
Listed real estate companies most active players

Last year's clear-cut No. 1, listed real estate companies, took the top slot again in 2013 and actually extended their lead. With more than 42% of aggregate investment, they definitely dominated market activity in absolute terms, even though they were only involved in just under 15% of all sales transactions. The only other grouping to achieve a double-digit percentage were special-purpose funds, with slightly more than 11% of the transaction volume. The remaining places were taken by pension funds (just under 10%), and property firms, equity/real estate funds and private investors, each with slightly less than 8%.

German investors predominant

By far the most active investors were those from within Germany. They accounted for nearly 82% of all turnover, thus actually stepping up their prior-year share by a considerable margin. Foreign investors, on the other hand, deployed somewhat less capital than in 2012, but nevertheless spent almost 2.7 bn € on acquiring residential units here. The biggest proportion of this was generated by US buyers, with a turnover share of close to 5%. Notable contributions to the total were also made by investors from Switzerland and Austria, with some 3% each, and from France (just over 2%) and Denmark (just under 2%).

Only modest further rise in purchase prices

In recent years, purchase prices have registered an appreciable increase, but in 2013, there were mainly only moderate further rises, which is in fact hardly surprising when prior developments are taken into consideration. Prices for existing portfolios, the chief focus of market activity, range predominantly between 750 and 900 €/m². Block sales generally brought in 1,000 to 1,300 €/m², with more modern properties (<10 years) commanding considerably higher prices (1,900 to 2,100 €/m²). Project developments in the major German cities of the kind favoured especially by core investors generally sell at prices of between 3,000 and 3,500 €/m², with the cost of premium assets occasionally going much higher.

Robust demand set to continue

From today's viewpoint, all the signs suggest that demand and the fundamental interest on the part of investors in German residential units is set to continue in 2014. In particular, large companies with a stock exchange listing seeking a strategic extension of their portfolios, equity-strong core investors, which frequently deploy their capital indirectly via special-purpose funds, and also private investors will probably again be important and very active market participants. On the other hand, though, there are fewer major deals on the horizon than in 2013. Against this background, market activity will tend to focus on the mid-range size segment and the field of restructuring and portfolio optimisation. So turnover on a scale comparable with that last year seems unlikely, but it should be able to once again exceed the 10 billion euro mark quite clearly.