Another excellent opening quarter
With a transaction volume of 767 m €, the Berlin investment market again got off to a very dynamic start to the year. The result, which exceeded the 10-year average by almost 18 %, puts Berlin almost equal with Hamburg (775 m €) behind Munich (896 m €) and Frankfurt (855 m €). Properties sold within the framework of portfolios made a not insubstantial contribution of about 37 % to aggregate turnover, while single deals also produced a total higher than the long-term average. At just under 30, the number of registered sales was on a par with the prior-year figure, and so the average volume per deal - at around 27 m € - was also more or less the same as last year.

Size-class distribution similar to 2013
Properties selling for at least 50 m € once again generated around half of all turnover, with some 48 % of the total. Market activity was also lively in the next-smaller category of 25 to 50 m €; it accounted for around one-quarter, just as in the prior-year period. On the other hand, thanks to a large number of deals, the 10-25 m € size class stepped up its share considerably year-on-year (+16 percentage points) to finish only just behind the next-bigger bracket, with about 23 %. Up to now, the smallest size bracket, of up to 10 m €, has not played much of a role, generating only just under 5 %.

Office buildings take first place again
Even though office properties slipped in relative significance by 15 percentage points year-on-year, they were still easily the most strongly favoured asset class in the first three months of the year with over 38 %. A quite considerable contribution to this was made by the sale of Hackesches Quartier (HQB). Retail assets stepped up their share by nearly 12 percentage points, thanks chiefly to the sale of several sizeable specialist retail centres on the outskirts of Berlin. Third place in the ranking was taken by the collective class of miscellaneous real estate, with around 19 %, fuelled by the sale of several development sites and a portfolio with some health centres. Logistics complexes increased their share slightly to just over 7 % while the number of hotel deals in the first quarter was limited, accounting for only 4 % (-12 percentage points).
RATHER UNUSUAL DISTRIBUTION OF INVESTMENT

The way the investment volume was spread across the market area in the first quarter was rather unusual and is likely to change somewhat in the course of the year. Up to now, almost half of all investment has been generated in the subcentres and the periphery, due mainly to the above-mentioned sale of specialist retail centres on the outskirts of the city. In second place came City Centre areas with close to 39%. This result reflects not only the HQB sale but also a series of deals of between 20 and 30 m €. The biggest relative downturn was registered by the Topcity precinct which has up to now accounted for only 5% of total volume, one reason being the shortage of supply.

BROADLY BASED DEMAND

In the first quarter, Berlin again showed that it enjoys wide-ranging favour. Since the biggest deals were transacted by equity/real estate funds and open-ended funds, these have obtained by far the biggest shares (35% and 23% respectively). But other groupings have also made considerable contributions. Project developers accounted for around 10%, demonstrating their confidence in the future of this market by a large number of purchases. Close behind and almost equal come investment/asset managers and private investors (around 8% each), ahead of listed real estate companies/REITs (6%) and corporates (just over 3%).

PRIME YIELDS EASE FURTHER

The pressure on initial yields has been maintained. After falling by 10 basis points in the period up to the end of 2013, in the first three months of this year the net prime yield for office assets slipped by a further 10 points to 4.60%, its lowest level since 2007. The shortage of supply in the premium class is also making itself felt in the logistics segment, but here the fall in the yield – of 5 basis points to 6.80% – has been less marked. At 4.35%, the prime yield for retail/office properties in top areas has so far remained steady.

OUTLOOK

The Berlin market continues to benefit from broadly spread demand, as indicated by the very good first-quarter performance. But the inadequate availability of core products is increasingly making itself felt and – although many investors are now also considering alternatives outside the absolutely premium segment – this could have a limiting effect on turnover in the coming months. On the other hand, the activities of project developers, which could expand core supply somewhat, point in a positive direction. So overall, 2014 can be expected to produce a good result well above the 3 bn € mark.