As had been anticipated, commercial investment markets remained very buoyant in the first three months of the year. The nationwide transaction volume of over 10.25 bn € exceeded the already very good prior-year result by more than 45 %. Only in 2007 was there an even better opening quarter. The volume contributed by single deals noted a further marked increase of 24 %, but what is really remarkable was the resurgence of portfolio sales, which registered a rise of 84 %. Single transactions accounted for nearly 5.7 bn €, equivalent to almost 56 %. The most important deals included the sale of a 50 % stake in the Centro in Oberhausen and the disposal of the Hackesches Quartier (HQB) in Berlin. Portfolio deals also made a much higher contribution to turnover than in previous years, with a transaction volume of about 4.56 bn €. Noteworthy in this connection was above all the acquisition by Patrizia for a special-purpose fund of the so-called Leo I portfolio, comprising properties formerly owned by the federal state of Hesse.

It is particularly notable that the substantial increase in the transaction volume was generated primarily outside the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich). With a combined total of just under 4.14 bn €, these registered just marginally more than they had the year before. In other words, properties and portfolios in B-locations and smaller towns and cities are increasingly being considered as investment targets. In first place in the inter-city ranking came Munich with investment turnover of 896 m €. It was followed by Frankfurt (855 m €), Hamburg (775 m €) and Berlin (767 m €). But Düsseldorf (686 m €) was also able to improve on its prior-year performance. Investment in Cologne has so far totalled around 160 m €.

Offices remain the most favoured asset class, attracting 3.9 bn € (38 %). As was to be expected, second place in this ranking was taken by retail properties with a volume of nearly 3.02 bn € (29 %). Logistics complexes have gained further in significance, accounting for close to 15 % of all turnover in the first quarter, reflecting the continued growing interest in this asset class exhibited by both domestic and international investors. Hotels generated 4.5 % of the total, only just over half of their prior-year slice. All the other forms of occupancy made far lower contributions to turnover.
SPECIAL PURPOSE FUNDS MOST ACTIVE PLAYERS

By far the most active market participants in the first three months were special-purpose funds; they accounted for one-quarter of aggregate investment. It should be noted, however, that special-purpose funds are used as vehicles for investment activities by a range of equity-strong market players, such as pension funds, insurers, savings banks etc. In second place came equity/real estate funds, which generated a slice of close to 15% of the transaction volume. Other groupings making substantial contributions to the total were investment managers/asset managers (more than 9%) and project developers (slightly over 9%).

FOREIGN INVESTORS VERY STRONG

Whereas in recent years, market activity has been dominated by German investors, this year they have so far finished only marginally out in front, with 51.5% of the total. In contrast, foreign investors have not only stepped up their contribution in absolute terms, they have also gained considerably in relative significance, with almost half of all turnover, accounting altogether for about 5 bn €. First place was taken by European investors, with a share of over 26% of the result; they thus relegated North American players (over 18%) to second place. Asian buyers generated a slice of just over 2%, investors from the Middle East slightly more than 1%.

YIELDS EASE FURTHER

In view of the very buoyant demand, yields in some particularly sought-after locations have eased slightly further. The current prime yields for office properties are: Munich 4.30%, Hamburg 4.55%, Berlin 4.60%, Frankfurt 4.65%, Düsseldorf 4.75% and Cologne 4.85%. Since the start of this year, the yields of retail/office buildings in the best shopping streets in major German cities have stayed stable; across the six main cities they average 4.12%. Prime yields of logistics complexes in the top locations currently range between 6.40% and 6.80%. Although the possibility cannot be excluded that the ongoing tough competition for coveted premium assets could lead to a further slight decline in yields in isolated cases, it seems basically safe to assume that they have now largely bottomed out.

OUTLOOK

The undiminished attention focused on German real estate by many domestic and international investors is set to go on stimulating the transaction volume in the coming quarters. However, the possibility of a change in interest rates in the course of the year cannot be excluded and it remains to be seen what impact this might have. It seems beyond doubt, though, that the 30 bn € threshold will be exceeded by a considerable margin, with turnover clearly bettering the prior-year performance.