BERLIN ASSETS REMAIN IN DEMAND

In the first half of 2014, the Berlin investment market enjoyed undiminished buoyant demand. Turnover, at around 1.37 bn €, represented one of the best results of recent years. Among the Big Six locations, the German capital currently takes fourth place behind Munich (1.84 bn €), Hamburg (1.63 bn €) and Frankfurt (1.53 bn €). Single deals accounted for about three-quarters of all investment, with portfolio deals included on a pro rata basis making up one quarter of the total. The latter result chiefly comprised two large Kaufland shopping centres close to the city borders sold within the framework of the so-called Christie portfolio. The number of transactions included in this survey is slightly up on last year's figure while the average volume per deal has fallen year-on-year to about 24 m €.

LIVELY ACTIVITY ACROSS ALL SIZE CLASSES

Around half of all investment in the first six months was in the size classes below the 50 m € mark, the other half was above that figure, producing a fairly balanced distribution of turnover. In the first quarter, several properties priced in the triple-digit million euro range changed hands, while in the following months turnover was boosted by some deals of between 50 and 100 m €, such as the sales of the Atrium Charlottenburg and the Mosse-Zentrum. This gave the biggest size bracket a share of over 47 %, putting it in front of the 10-25 m € class (26 %). Also well represented were assets of between 25 and 50 m € which made up one fifth of the overall volume. The smallest category naturally generated a lower proportion of the total, with around 7 %.

OFFICE PROPERTIES MAIN FOCUS OF DEMAND

Even though the share of investment generated by office buildings slipped considerably (-12 percentage points), they still form the most important asset class in the Berlin market. With more than 43 % of all turnover, they finished well ahead of retail properties; these accounted for just over 24 % of the result, not quite as much as last year. At 6 %, the share registered by hotels was also lower (-4 percentage points) but certainly not insignificant. Next in the ranking came logistics complexes, with more than 4 % (+3 percentage points). The sale of several sizeable development sites lifted the share generated by the collective category of miscellaneous real estate quite considerably year-on-year to just under 23 %.

Investment volume in Berlin H1

Investments according to € categories in Berlin H1

Investments according to type of property in Berlin H1

At a Glance

INVESTMENT MARKET BERLIN

Q2 2014
CITY CENTRE WELL AHEAD OF TOPCITY

The City Centre areas in particular benefited from the strong first half and have extended their prior-year lead to attract almost 45 % of all turnover. As well as generally lively investment activity – nowhere else were more deals concluded – the distribution reflects several larger transactions such as the sale of Hackesches Quartier in the City Centre location of Hackescher Markt. The relatively high proportion generated by the subcentres – almost 28 % – was due chiefly to the Christie portfolio assets in the periphery as mentioned above. The Topcity, on the other hand, is at the moment still under-represented, with a share of less than 16 %, at least partly because of the limited supply. The lowest share up to now, 12 %, was obtained by the Centre Fringe.

BROAD RANGE OF BUYERS

The structure of buyers underlines the broad basis of demand in the Berlin market, with all of six investor categories obtaining double-digit percentage shares. The list was headed by equity/real estate funds with 21 % and project developers with 19 %. Then, all close together with between 10 % and 13 % of the total, came open-ended funds, special-purpose funds, private investors and family offices. Investment managers contributed a further share of just over 6 %. Just like elsewhere in Germany, the proportion of foreign investors in the Berlin market has risen, reaching close to 39 % by the mid-year point.

YIELDS EASE YEAR-ON-YEAR

Towards the end of 2013 yields in Berlin were already tending slightly downwards, and in the first quarter, the net initial yield for office buildings fell somewhat further. Now, at the mid-year point, it stands at 4.60 %. Although this is 20 basis points down on the figure noted this time last year, it is still 30 bp above the record low of mid-2007. At the beginning of this year, the prime yield for logistics complexes also fell marginally for the first time after a long period of remaining static, declining to 6.80 % (-5 basis points), while the net prime yield for premium retail/office properties has stood firm at 4.35 % since the end of 2012.

OUTLOOK

In view of the good economic framework, with interest rates at a low level and with alternative assets in short supply, the Berlin market looks set to remain lively in the second half of this year as well. The growing readiness of investors to look beyond the core segment should impact positively on the transaction volume, so that 2014 as a whole can be expected to produce one of the best results of recent years. Whether or not the 4 bn € threshold can be reached, though, will call for the conclusion of some deals in the triple-digit million range.