The second quarter of this year produced another top-ranking performance in the German investment markets and lifted the transaction volume for the first six months to around 17.29 bn €—the third-best result ever. Even though the April-June period, with turnover of slightly more than 7 bn €, was unable to quite match the record figure achieved in the first three months, the result was still the best of the past seven years. The attractive interest-rate situation in combination with the substantial reserves of liquidity held by investors forms a favourable frame-work for commercial property, and Germany, as the core market of the eurozone, is benefiting especially from this. Alongside the investors who have long been established in Germany, new international players are constantly entering the market. The portfolio segment developed in particularly dynamic fashion, with turnover of more than 6.27 bn €—almost double the prior-year figure (plus 92 %). It is notable, and underlines the broad basis of demand, that all the asset classes profited from this surge. The portfolio segment’s share of total investment climbed significantly, to just over 36 %. Single deals thus accounted for just under 64 % of the transaction volume; in absolute terms they attracted over 11 % more capital than last year, with around 11 bn €.

Although the Big Six (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, and Munich) stepped up their combined turnover, they did so only moderately, registering an increase of just under 4 % to 7.74 bn €. The inter-city ranking was headed by Munich with over 1.84 bn € (+20.5 %), followed by Hamburg with 1.63 bn € (+35 %). In third place came Frankfurt with 1.53 bn €. This corresponded to a slight year-on-year decline of 11 %, but this city is still likely to produce a very good result for the year as a whole, since several major deals are in the pipeline there. Fourth place went to Berlin with nearly 1.37 bn € (-11.5 %). Düsseldorf confirmed its exceptional prior-year performance by generating almost 1.13 bn € (+4 %). In Cologne, activity was rather reticent, producing half-year turnover of only 236 m € (-34 %).

Office buildings remain in first place in the asset-class ranking, with 35.5 % of total investment, but their lead has shrunk appreciably. Retail properties defended their second place with just over 29 %. Considerably higher-than-before shares of turnover were achieved especially by logistics complexes (over 12 %) and hotels (9.5 %).
AT A GLANCE - INVESTMENT MARKET GERMANY - Q2 2014

WIDE SPREAD OF INVESTORS

The great interest exhibited in German commercial property and the broad basis of demand for it is underlined by the diversity of investors. The first-half list was topped by special-purpose funds with slightly over 15%, just ahead of equity/real estate funds with 14.5%. Then came corporates (nearly 11%), investment managers (9.5%), project developers (9%), pension funds (almost 8%) and listed real estate companies (nearly 7%).

INTERNATIONAL INVESTORS INCREASE THEIR SHARE

Market participants from outside Germany substantially stepped up their contribution to total investment, with 48% at the half-year point. Especially active were European investors, with a share of nearly 24%. But North American buyers, traditionally a strong group, also accounted for almost 17%. Worth noting is the fact that investors from Asia and the Middle East are consolidating their activities, even though their combined first-half share of just under 4% was still relatively low.

YIELDS STABLE

Prime yields for office properties remained unchanged in the second quarter. The current figures are as follows: Munich 4.30%, Hamburg 4.55%, Berlin 4.60%, Frankfurt 4.65%, Düsseldorf 4.75% and Cologne 4.85%. The average prime yield for retail/office buildings in the top shopping streets of the six major German cities stands at 4.12%. Logistics complexes in the main locations attract between 6.40% and 6.80%. Stand-alone specialised discount stores in the premium segment command yields of 6.50%; the figure for specialist retail centres is 6.00%. Even though yields have very largely remained stable so far this year, the possibility cannot be excluded that they could ease further in individual cases.

OUTLOOK

All the signs indicate that the current dynamism will be sustained unabated in the second half. Since the supply of core properties is limited, value-add and opportunistic assets are becoming more important again. This is especially true in the portfolio segment, which is boosting the volume of transactions. Interest rates remain favourable and liquidity is high – not least because of the shortage of alternative investments offering a comparable risk/reward profile – so 2014 can be expected to produce perceptibly higher turnover than last year. New investors from abroad entering this market because they appreciate the stable economic environment and the better-than-elsewhere perspective will play a particular role in keeping demand at a high level. Accordingly, turnover for the year as a whole can, from the present angle, be expected to reach 35 to 40 bn €.