At a Glance
INVESTMENT MARKET BERLIN
Q3 2015

NEW NINE-MONTH RECORD
The Berlin investment market is maintaining its record-breaking momentum. Following on from an outstanding start to the year, with peak results at the end of the first quarter and the first half, the third quarter also finished with a new turnover record. The transaction volume rose to around 4.7 bn € – 75 % more than in the prior-year period and almost twice the long-term average. This figure exceeded the previous record, dating from 2007, by almost one fifth. Compared with the 2007 total, this year’s turnover has a much higher proportion of single deals. These contributed nearly three-quarters to aggregate investment, accounting for about 3.4 bn €, which is also a new record. In the nationwide inter-city ranking, the German capital thus took first place by a fairly comfortable margin in front of the other members of the leading trio: Frankfurt (4.4 bn €) and Munich (4.3 bn €).

STEEP RISE ESPECIALLY IN MAJOR DEALS
Alongside a generally very buoyant investment market across all the size classes, the past few months have brought a particular increase in the large-unit category. In all, nearly 44 % of the result consisted of deals in the triple-digit million euro range. The number of such deals rose and their aggregate volume also climbed substantially, by close to 132 %. The next-smaller size class (50-100 m €) also benefited from the demand for big tickets, registering a year-on-year increase of about 127 % to account for 25 % of the total. Although the smaller size brackets posted smaller shares, or just marginal year-on-year relative increases, they all – with the exception of the 10-25 m € class – attracted considerably more investment in absolute terms.

OFFICES ACCOUNT FOR HALF OF ALL INVESTMENT
Office buildings were once again by far the most favoured asset class, with just over half of the investment volume, and were actually able to step up their lead slightly, thanks to several deals in the three-figure millions. Investment in retail properties also rose substantially, to give them a turnover share of more than 28 %. This result was fuelled both by several sizeable individual transactions and also by sales completed within the framework of portfolio deals, such as the sale of the Kaufhof on Alexanderplatz. With the help of some large transactions, investment in hotels rocketed by nearly 180 % to make them the third-strongest asset class (share: 8 %). Logistics complexes attracted less investment than last year (share: 3 %), but this was due to an inadequate supply.
CITY CENTRE STILL AHEAD OF TOPCITY

Just like last year, the City Centre accounted not only for easily the biggest number of deals but also for the highest investment volume. Even though its share of the total fell somewhat year-on-year, to 38%, it generated far more turnover than before (+44%). The investment volume rose appreciably in other locations, too, indicating a broad spread of demand across the entire municipal area. The Topcity also attracted a weighty share, of 27%. It was followed by the Centre Fringe, which, with about 20%, registered not only a relative climb but also the biggest absolute increase. The subcentres also made a strong contribution (over 15%).

TWO INVESTOR GROUPINGS PREDOMINANT

The distribution of investment across the buyer categories in the first three quarters was somewhat unusual by Berlin standards, with just two investor groupings well ahead of the rest of the field. In first place came special-purpose funds, with just over 23%, after being very active overall and completing a large number of investments in the middle to high double-digit million range. Second place, with about 19%, was taken by listed real estate companies/REITs thanks to portfolio purchases of several sizeable Berlin properties. High volumes were also generated by project developers (10%), private investors (9%), pension funds (8%), equity/real estate funds (7%) and insurances (6%). Foreign investors – traditionally strong in the German capital – were actually somewhat under-represented compared with the nationwide average, accounting for just under 44%.

YIELDS EASE FURTHER

Against the background of the still favourable financing environment and the lack of alternative assets, the demand for core properties, with their comparatively attractive returns, remains undiminished. Together with the shortage of supply of all types of commercial real estate in recent months, this has led to further falls in yields. Since the end of 2014, these have eased considerably across all segments, and are now beneath their previous low of mid-2007. The net prime yield for offices currently stands at 4.1%; the figure for retail/office buildings is 3.70%, while that for high-grade logistics complexes is 5.65%.

OUTLOOK

Taking all the factors outlined above into consideration, the run on Berlin real estate is definitely set to continue in the final quarter, with no end of the surge in sight for the time being. Assuming that some of the deals currently under negotiation are concluded in the coming months, this year should end with another record result.