With a transaction volume of close to 15.52 bn €, office buildings not only increased their turnover by nearly 50 % but also, by a considerable margin, achieved their second-best total since 2007. The result exceeded the ten-year average by all of 73 %. This means that offices have moved to the top of the asset-class ranking, relegating retail properties – in the lead at the half-year point – to second place. Single deals accounted for the biggest proportion of turnover (83 %) with a total of 12.81 bn €, which was 63 % up on the prior-year figure. Substantial contributions to this were made by large-unit sales such as those of the Eurotower and the Trianon in Frankfurt and of the Lego in Munich. In fact, 26 individual deals in the triple-digit million range were registered in the first nine months. Office portfolios have so far accounted for investment of 2.7 bn € (17 % of the total) but this represented a far lower year-on-year increase of just 8 %. Nearly 83 % of the result in this segment was generated by large portfolios in the three-figure million euro range.

The so-called Big Six cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) attracted investment of over 12.36 bn €, equivalent to a rise of 67 % over last year’s figure. Although there was also growth in transactions in B-locations, investors continue to focus strongly on the economically robust German metropolises, as indicated by the fact that the Big Six accounted for 80 % of all the capital deployed nationwide in office properties. The inter-city ranking is headed by Frankfurt with 3.44 bn €. That corresponds to an increase in turnover of 122 % and was fuelled by the sale of several office towers. In second place came Munich with 2.99 bn € (+46 %). Then, also with totals of over 2 bn €, came Berlin (2.38 bn €, +99 %) and Hamburg (2.10 bn €, +45 %). With 926 m €, Düsseldorf more or less maintained its prior-year volume (+1 %), while Cologne posted the biggest relative increase, a handsome rise of 126 % to a total of 538 m €.

In large cities with a population of over 250,000, investment (counting just single deals) rose by 29 % to 1.68 bn €. Towns of up to 100,000 inhabitants generated 277 m € (+131 %). On the other hand, medium-sized cities (between 100,000 and 250,000 inhabitants) posted a lower year-on-year figure (366 m €, -18 %). So the much-cited trend towards more investment in B-locations has been rather modest in extent.
 DEMAND FOCUSES ESPECIALLY ON LARGE ASSETS

The greater orientation to large products already apparent last year has increased somewhat further this year. Transactions valued in three-figure millions have so far contributed 47.5% to total turnover, making them by far the most important market segment. Next came office buildings priced at between 50 und 100 m €, with a share of just under 22%, corresponding to a rise of nearly 7 percentage points. The 25-50 m € size class accounted for 15%. On the other hand, smaller sales have lost slightly in relative significance. But with the exception of the 10-25 m € bracket, all the other classes stepped up their performance appreciably in absolute terms.

GREAT INTEREST BY WIDE SPECTRUM OF INVESTORS

There has been a continuation of the broad distribution of turnover between different investor groupings which was already evident in the first half. By the end of the third quarter, equity/real estate funds had moved up into first place by accounting for just under 21% of the result. Other double-digit slices were generated by special-purpose funds, with close to 14%, and insurances, with 10%. Contributions of around 9% were made by project developers, investment managers and pension funds. This highlights the fact that it is particularly core investors which are very active in the field of office assets. Another indication of the breadth of the spectrum of investors is that, taken together, all the other groupings accounted for the substantial share of around 29% of turnover. Foreign investors were responsible for 48% of the aggregate volume, while in the portfolio segment they were the clear-cut leaders with 85%.

MOST LOCATIONS POST LOWER PRIME YIELDS

The market dynamism is reflected by the way prices have developed, with almost all locations experiencing a further slight decline in prime yields. Munich remains the most expensive location with a net initial yield of 3.85%. Berlin, which is gaining increasing favour among investors, has moved up into second place in this respect, with 4.10%. Quite close behind, with 4.25%, comes Hamburg. The figures for the other cities are: Frankfurt 4.30%, Düsseldorf 4.40% and Cologne 4.50%.

OUTLOOK

The final quarter is also set to produce a very high investment turnover. Several large deals are in the pipeline in the field of both portfolios and individual properties. In view of the ongoing favourable financing terms and the virtual lack of alternative assets offering comparably attractive returns, there are no signs for the time being of any factors which could hold back investment activity or affect it adversely. So for the year as a whole, we expect to see a transaction volume of well over 20 bn €, and thus the second-best result ever registered.

AT A GLANCE - OFFICE INVESTMENT MARKET GERMANY - Q3 2015

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