RATHER QUIET THIRD QUARTER

Following on from the record turnovers of the first half, the third quarter of the year was much quieter, with activity basically back to normal. And after all, not every quarter can be expected to provide a repeat of such transactions as Deutsche Annington’s takeover of Gagfah for nearly 8 bn €, the acquisition of Süddeutsche Wohnen for around 1.9 bn € or the purchase of some 13,500 residential units by Patrizia AG for nearly 900 m €. All the same, the transaction volume of 1.83 bn € generated in the period July-September was definitely a respectable result by long-term standards. That is highlighted by the fact that this total included only two sales in the triple-digit million range. Taking the first three quarters together, turnover came to 18.88 bn €, which was twice the prior-year figure and in fact also exceeded all the whole-year performances registered in the past ten years. The survey covered 233 transactions involving a total of more than 286,000 homes. Almost 70 % of all deals were concluded in the smaller-unit segment of the market up to 25 m €, which also underlines the very broad and lively demand on the part of very different types of investors.

PROJECT DEVELOPMENTS EXHIBIT GROWING SIGNIFICANCE

As a result of the major deals, the asset-class ranking is led, as expected, by existing portfolios, with a share of over 82 %. Alongside this, though, one particularly notable factor has been the increasing importance of project developments, which are often acquired in the form of forward deals. So far, these have accounted for close to 8 % (1.46 bn €) of all turnover, but what is even more impressive is that this market segment has been responsible for one transaction in every five. However, block sales of older properties, if these are well located, are also favoured by many investors and have generated nearly half of all deals.

LARGE DEALS DOMINATE ACTIVITY

Thanks to the very substantial package sales in the first half, transactions in the category upwards of 100 m € naturally head the size-class distribution, with nearly 79 % of total turnover. But the size brackets between 10 und 100 m € then present a notably balanced structure, with all three of them each accounting for shares of between 5.5 % and 7.0 %. Although small-unit deals up to 10 m € represent just over 2 % of the investment volume, they are the way-out leaders where the number of individual transactions are concerned, with almost 38 % of the total.
**LISTED REAL ESTATE COMPANIES IN CLEAR-CUT LEAD**

Even though many different types of investors are fundamentally interested in German residential properties, market activity this year has so far been dominated quite distinctly by listed real estate companies; in the first three quarters they were responsible for more than 71% of the transaction volume. Far behind in second place with a share of 7.5% come special-purpose funds, which generated almost two-thirds of their turnover with project developments. Other sizeable contributions have been made by property firms (just under 5%) and private investors (just over 4%).

**GERMAN BUYERS GENERATE NEARLY 90% OF TURNOVER**

With the major deals by listed real estate companies playing a large role, the residential property market has so far been clearly dominated by German players, with 88% of all turnover. Although that means that foreign investors accounted for a share of only 12%, they have actually deployed around 16% more capital in absolute terms than in the same period last year. The biggest buyers have been European investors, which contributed almost 7% to the total. Next, with 3.5%, came market participants from the Middle East, which thus finished ahead of those from North America.

**PURCHASE PRICES STILL TENDING HIGHER**

Purchase prices have continued to climb somewhat in the course of this present year. Basically, this applies to all segments of the residential market but is especially apparent when it comes to the strongly favoured category of project developments in the top parts of large German cities. Here, prices range mainly between 3,200 and 4,500 €/m² but they can go considerably higher in isolated cases. Prices for sizeable existing portfolios have also risen again and are now usually between 800 and 1,300 €/m². However, in this segment, too, buyers are occasionally ready to pay even more if a purchase is of strategic importance for them.

**OUTLOOK**

From today’s vantage-point, the generally lively scale of demand is set to continue in the fourth quarter. There is also a possibility of some large deals which could lift the transaction volume again quite considerably. But regardless of that, investment in 2015 as a whole is on course to reach a record level far exceeding all previous results. It is already certain that the 20 bn € threshold will be passed but just how close turnover comes to the 25 bn € mark remains to be seen.