## CONTENTS

Executive summary .......................................................... 3
Overview of the German investment markets.............................. 5
Berlin .................................................................................. 13
Cologne ................................................................................. 16
Düsseldorf ............................................................................. 19
Frankfurt ............................................................................... 22
Hamburg ............................................................................... 25
Leipzig .................................................................................. 28
Munich ................................................................................ 31

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EXECUTIVE SUMMARY

More than 56bn € turnover: Second-best result ever

By itself, the final quarter of 2015 generated turnover of close to 18bn € and thus – as expected – set new standards, lifting the aggregate transaction volume to 56.26bn €. That was 40% above the 2014 total and exceeded the long-term average by all of around two-thirds.

Office properties with highest share of turnover

- Office properties remain the most important asset class, accounting for 42% of all the capital deployed. Single deals generated by far the biggest share of this.

- Retail investments produced a total of 18.53bn €, almost twice the prior-year figure. That gave this segment a share of around 33% of aggregate turnover.

- In third place came logistics complexes, which contributed more than 8% (4.65bn €) to the total, thus achieving a new record. An even more positive year-on-year development was registered by hotel assets, which were responsible for a slice of just under 8% (4.39bn €).

The trend towards large-volume products has continued

- Overall, 65 individual transactions in the triple-digit million euro range were registered.

- Particularly favoured by investors were large office buildings, such as the Trianon or the Eurotower in Frankfurt, and these were responsible for more than half of the major single deals.

- As was expected, portfolio sales are becoming increasingly important again, and they stepped up their prior-year investment total by 63% to 20.05bn €.

- Forming a further trend is the growth of pan-European investment, which is very popular with many market players because of the large volumes that can be moved with just one deal.

Yield compression sustained

- In the office segment, the competition for the restricted supply of absolutely premium assets has produced a further appreciable rise in prices. In the past twelve months, prime yields have slipped on average by nearly 40 basis points.

- In the field of net initial yields for retail/office buildings on the highest-footfall stretches of the major shopping streets, Munich remains the most expensive location in Germany with 3.40%.

- The most marked example of yield compression has been in the logistics segment.
The transactions covered by BNP Paribas Real Estate in this survey and the resultant total transaction volume do not represent the entire commercial investment market. The survey takes into account only those investments on which BNP Paribas Real Estate has assured information and which involve “professional players”, in the widest sense of this term. Since the investment market is highly sensitive, with deals often being kept confidential, the possibility cannot be excluded that some transactions were not revealed and are therefore not included in this survey. In view of all this, the transaction volumes depicted here generally deviate from those shown in the data of the relevant officially appointed expert committees. The differences vary between individual cities. There are several reasons for this:

▸ The committees differ widely in the way they assign transactions to market segments and also in the depth of their analyses. Some operate only with catch-all terms such as “commercial property”, others go into far more detail. In individual cases, the surveys are of a quite general nature.

▸ The data compiled by these committees cover all transactions. These include “internal transactions”, for instance between companies belonging to the same business group. And these surveys also contain many small deals between private persons, such as people with adjacent sites.

▸ Even the use of professional research methods cannot prevent the proportion of transactions surveyed by BNP Paribas Real Estate from varying between cities or between one year and the next. Whether or not the necessary information is available always depends on the market players involved and on the wider general situation. Often, confidentiality is a contractual condition for a sale.
The final quarter of 2015 generated turnover of close to 18 bn €, thus – as expected – setting new standards and lifting the aggregate transaction volume to 56.26 bn €. That was 40 % above the prior-year total and exceeded the ten-year average by all of around two-thirds. The number of transactions noted and evaluated in 2015 came to nearly 1,800. Only in the boom year of 2007 was an even higher turnover registered and that was fuelled far more by portfolio contributions. Where just single deals are concerned, 2015 set a new record, which surpassed the previous high of 2014 by a handsome 30 %. Another notable fact is that all asset classes attracted considerably more capital than the year before. That impressively underlines the great interest shown by investors in Germany as a business location. The proportion of foreign investors rose slightly compared with 2014, with the result that German and foreign buyers each accounted for around half of the total turnover.

Single deals attracted more than 36.2 bn € and thus almost two-thirds of aggregate investment. The trend towards large-scale assets has continued: altogether, 65 transactions in the triple-digit million euro range were registered. Particularly favoured by investors were large office buildings, such as the Trianon or the Eurotower in Frankfurt, and these were responsible for more than half of the major deals. As was expected, portfolio sales are becoming increasingly important again, and they stepped up their prior-year investment total by 63 % to 20.05 bn €. In this market segment, too, all asset classes benefited from the positive development. Hotel transactions in particular noted an appreciable rise in turnover. Forming a further trend is the growth of pan-European investments, which are very popular with many market players because of the large volumes that can be moved with just one deal. It seems highly likely that this development will increase in 2016.

Alongside investment in commercial property, a turnover of 24 bn € was registered in residential assets.

Office properties remained the most important asset class, gaining a share of 42 % of all the capital deployed, meaning a total of more than 23.6 bn €. That not only represented a year-on-year increase of 39 % but was also the second-best result ever registered after 2007. It was all of more than two-thirds higher than the ten-year average. By far the biggest proportion of this comprised single deals; these contributed slightly under 18.1 bn € (77 %) to the total, stepping up their prior-year volume by about 37 %. Especially in demand were large-unit assets, something reflected by the fact that sales in the triple-digit million euro range totalled an impressive 37.

Retail assets accounted for 18.53 bn € – almost twice the prior-year figure. Their share of aggregate investment has risen appreciably, and at around 33 % (prior-year: 23 %) is back to the level that has been customary over the past ten years. The result actually exceeded the ten-year average by a handsome 74 % and was the second-best ever registered.
INVESTOR STRUCTURE SIMILAR TO PRIOR YEAR

The structure of the investor groupings which are active in Germany shifted only slightly in 2015 compared with the year before. Overall, turnover continued to be spread relatively broadly across a spectrum of very different market players with diverse investment criteria and investment strategies, something reflected by the fact that all of nine categories generated turnover slices of at least 5%. This impressively underlines the broad basis of demand. Double-digit shares of turnover were obtained by the same three buyer groupings as the year before, and they finished in the same order. In first place again came special-purpose funds, which contributed more than 17% to the result, stepping up their turnover in absolute terms by 54%. It should be borne in mind that such funds very frequently conceal institutional investors who deploy capital via these vehicles in order to raise the property proportion of their portfolios. In second place came equity/real estate funds with nearly 15% year-on-year growth in turnover of 66%. Listed real estate companies / REITs, which took third place with just over 14%, more or less doubled their turnover volume. Other sizeable contributions were made by investment/asset managers (9.5%), pension funds (nearly 7%), property developers (over 6%), insurances (5.5%), and private investors and corporates, each with 5%.

OVERVIEW OF INVESTMENTS IN COMMERCIAL PROPERTIES

<table>
<thead>
<tr>
<th>Type of property</th>
<th>Single Investments</th>
<th>Portfolios</th>
<th>Total</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>13,242</td>
<td>18,090</td>
<td>3,744</td>
<td>5,515</td>
</tr>
<tr>
<td>Retail</td>
<td>6,203</td>
<td>9,112</td>
<td>3,097</td>
<td>9,420</td>
</tr>
<tr>
<td>Logistics</td>
<td>2,235</td>
<td>2,473</td>
<td>1,998</td>
<td>2,176</td>
</tr>
<tr>
<td>Hotel</td>
<td>1,963</td>
<td>2,604</td>
<td>1,101</td>
<td>1,781</td>
</tr>
<tr>
<td>Others</td>
<td>4,218</td>
<td>3,931</td>
<td>2,347</td>
<td>1,162</td>
</tr>
<tr>
<td>Total</td>
<td>27,861</td>
<td>36,210</td>
<td>12,293</td>
<td>20,054</td>
</tr>
</tbody>
</table>

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FURTHER GROWTH IN LARGE DEALS
Transactions in the triple-digit million euro range lifted their share of turnover to more than 51% (prior year: 45%). In absolute terms, they actually accounted for 59% more investment than before, with portfolio deals comprising by far the bigger slice of the result. That gave this category first place in the size-class ranking by a substantial margin. In the three segments between 10 and 100 m€, distribution was comparatively even, with shares ranging from just over 11% (10-25 m€) to just over 17% (50–100 m€). But smaller assets of up to 10 m€ also generated more than 6%, which can be seen as evidence that activity was very lively in all the market segments. It is also notable that all the size brackets increased their absolute transaction volumes quite considerably.

FOREIGN INVESTORS WITH BIGGEST SHARE SINCE 2008
In 2015, foreign investors stepped up their share of the transaction volume to 50%, the highest level since 2008. The dynamism exhibited by investors from outside Germany is actually revealed most clearly by a look at the absolute figures involved. In all, these buyers generated 28.20 bn €, which was over 9 bn € more than in 2014. That corresponds to growth of around 48%. The biggest contribution is generally made by European investors, and that was again the case in 2015 when they accounted for a share of 22% of the overall transaction volume. The most active buyers came from the United Kingdom (4.17 bn €), France (3.10 bn €) and Switzerland (just under 2.13 bn €), which meant that these three countries were together responsible for more than 77% of the European investment volume. Compared with previous years, the gap between European investors on the one hand and those from North America on the other has narrowed considerably, with the latter generating 20%
OVERVIEW AND MARKET DATA OF THE BIG SIX

The major German locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) also benefited from the buoyant demand and generated more than half of aggregate national turnover, accounting for a share of 53%. With a transaction volume of 29.64 bn €, they were able to increase their already outstanding prior-year result by one third. All the cities registered higher investment volumes. The unchallenged shooting star was the German capital, Berlin, which attracted total investment of 8.28 bn € (+94%) – more than in any other German city ever before. Next, with almost equal totals of just over 6 bn €, came Frankfurt (+13%) and Munich (+12%), with the banking centre profiting somewhat more strongly from portfolio sales included on a pro rata basis. Fourth place, as expected, went to Hamburg, which achieved a turnover of 3.98 bn € (+4%). The two Rhineland metropolises of Düsseldorf and Cologne both set new records, with nearly 3.2 bn € (+47%) and 2.18 bn € (+63%) respectively.

INVESTMENTS ACCORDING TO ORIGIN OF CAPITAL

<table>
<thead>
<tr>
<th>Germany</th>
<th>Europe</th>
<th>North America</th>
<th>Middle East</th>
<th>Asia</th>
<th>Others</th>
<th>Ø Germany</th>
<th>Ø Germany (without 2006+2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>5</td>
<td>1</td>
<td>17</td>
<td>23</td>
<td>3</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>2007</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>21</td>
<td>4</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>2008</td>
<td>5</td>
<td>3</td>
<td>17</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>2009</td>
<td>5</td>
<td>3</td>
<td>19</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>2010</td>
<td>5</td>
<td>3</td>
<td>20</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
<td>3</td>
<td>21</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>2012</td>
<td>5</td>
<td>3</td>
<td>21</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>2013</td>
<td>5</td>
<td>3</td>
<td>21</td>
<td>28</td>
<td>4</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>2014</td>
<td>5</td>
<td>3</td>
<td>21</td>
<td>28</td>
<td>3</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>2015</td>
<td>5</td>
<td>3</td>
<td>21</td>
<td>28</td>
<td>3</td>
<td>2</td>
<td>15</td>
</tr>
</tbody>
</table>

DEVELOPMENT OF INVESTMENT VOLUME IN THE BIG SIX

<table>
<thead>
<tr>
<th>Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich</th>
</tr>
</thead>
</table>

| 2015       | 29,641 |
| 2014       | 22,262 |
| 2013       | 18,058 |
| 2012       | 14,263 |
| 2011       | 12,163 |
| 2010       | 11,056 |
| 2009       | 5,830  |
| 2008       | 30,660 |
| 2007       | 21,247 |
| 2006       | 5,248  |
Office buildings were once again the most important asset class and were able to lift their share of investment by 4 percentage points to 61 %. By long-term standards, that is a comparatively high figure, some 5 percentage points above the ten-year average. Retail properties pushed up their share just modestly to 18 %, but that in fact conceals substantial growth in absolute terms, something due not least to major portfolio transactions.

In third place came hotels; their share, of just under 9 %, put them well ahead of the other forms of occupancy. It was on a par with the prior-year proportion but actually represents an appreciable absolute increase. Logistics complexes and development sites each contributed just under 4 % to turnover. Particularly in the logistics segment, though, a much higher volume would have been possible given a more sizeable supply.

In the top locations, too, deals in the triple-digit million euro range also accounted for easily the biggest share of turnover, with more than 40 %. The next-smaller class, of 50 to 100 m €, also expanded its contribution, to just over 23 %. The two size brackets between 10 and 50 m € generated shares of between 14 and 17.5 %. Smaller deals in the price category up to 10 m € also contributed nearly 5 % to the total, equivalent to turnover of almost 1.43 bn €.
First place in the investor ranking was gained by equity/real estate funds with a turnover share of just over 17%. In second place came last year’s leader, special-purpose funds, with 13.5%; that put them just in front of listed real estate companies/REITs, with just under 13%. However, the latter grouping registered by far the most positive year-on-year development, not only stepping its share by almost 9 percentage points, but also increasing its absolute volume four-and-a-half times. Other sizeable contributions were made by investment/asset managers (nearly 9%), property developers and insurances (each: 7.5%), and pension funds (7%).

YIELD COMPRESSION HAS CONTINUED
The strong demand and the associated competition among investors for top assets have prompted a further fall in prime yields, with a particularly dynamic development in this respect in Berlin. The situation is as follows:

In the office segment, the competition for the restricted supply of absolutely premium products has triggered another appreciable rise in prices. In the past twelve months, prime yields have slipped by an average of nearly 40 basis points. Munich remains the most expensive city, with a net initial yield of 3.65%. But Berlin picked up considerably and is now equal in second place with Hamburg at 4.00%. The figures for the other major cities are: Frankfurt 4.30%, Düsseldorf 4.35% and Cologne 4.45%. Taking the Big Six together, this gives an average prime yield of 4.13%.

With regard to the net initial yields for retail/office buildings in the highest-footfall stretches of the major shopping streets, Munich remains the most expensive city in Germany with 3.40%. The biggest yield change was that registered by Berlin, which has moved into second place nationwide with 3.65%, relegating...
Hamburg to third place with 3.75%. Then, each with a prime yield of 3.80%, come Frankfurt, Düsseldorf and Cologne. Basically, though, it must be noted that particularly in this asset class there are isolated examples of exceptional properties commanding considerably higher prices. The above figures produce an average prime yield for the Big Six of 3.70%. The yields for shopping centres in the best parts of the main German cities also continued their downward course in 2015, to 4.10% at present. The top yield for specialist retail centres now stands at 5.30%, while the figure for stand-alone discount stores and supermarkets is 5.70%.

The most striking example of yield compression was that observed in the logistics segment. Compared with 2014, the top yield in the major locations fell by an average of 107 basis points. Munich remains the most expensive logistics market, with a net prime yield of 5.20%. Then, bunched together in second place, each with 5.25%, come four of the big markets, Düsseldorf, Frankfurt, Hamburg and Cologne. The figure for Berlin is currently 5.40%.

OUTLOOK FOR THE INVESTMENT MARKETS
Framework conditions continue to be positive, so that from today’s viewpoint there are no signs of any scenario which could lead to the situation in the investment markets changing radically in 2016. Factors that need to be mentioned are the still very low interest rates and favourable financing conditions, and more general influences such as the record level of employment, a very low joblessness total and the forecast growth of around 2% in GDP. Other factors, like the dwindling price of oil and the growth in population figures as the result of the influx of refugees, should have a positive impact on consumption. So for market players, there are many reasons to go on investing in German real estate in the different asset classes. In summary, this suggests that demand will at the very least maintain its present high level, thanks, too, to foreign investors. Against this background, 2016 can be expected to generate another very high investment turnover. This is likely to be fuelled especially by portfolio sales, including in particular pan-European package transactions, which will impact substantially on the result. This means, though, that the question of whether another performance matching last year’s can be achieved will depend less on the demand side and far more on an adequate supply of products. At the moment, however, there are many reasons for making another transaction volume of around 50 bn € in 2016 seem a realistic proposition. So yields will probably ease further, though more slowly than before.
KEY INVESTMENT MARKET INDICATORS IN THE BIG SIX

<table>
<thead>
<tr>
<th></th>
<th>Berlin</th>
<th>Cologne</th>
<th>Düsseldorf</th>
<th>Frankfurt</th>
<th>Hamburg</th>
<th>Munich</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>14/15 (%)</td>
<td>2014</td>
<td>2015</td>
<td>14/15</td>
</tr>
<tr>
<td>Total (million €)</td>
<td>4,276</td>
<td>8,283</td>
<td>93.7</td>
<td>1,335</td>
<td>2,180</td>
<td>63.3</td>
</tr>
<tr>
<td>Proportion over 50 million € (%)</td>
<td>52.7</td>
<td>69.1</td>
<td>31.0</td>
<td>49.0</td>
<td>64.7</td>
<td>32.1</td>
</tr>
<tr>
<td>Office proportion (%)</td>
<td>40.2</td>
<td>53.7</td>
<td>33.5</td>
<td>53.9</td>
<td>50.9</td>
<td>-5.6</td>
</tr>
<tr>
<td>Proportion City Centre (%)</td>
<td>26.1</td>
<td>35.1</td>
<td>34.3</td>
<td>45.7</td>
<td>59.0</td>
<td>29.1</td>
</tr>
<tr>
<td>Proportion foreign sellers (%)</td>
<td>54.3</td>
<td>36.8</td>
<td>-32.3</td>
<td>69.6</td>
<td>35.9</td>
<td>-48.5</td>
</tr>
<tr>
<td>Proportion foreign buyers (%)</td>
<td>55.8</td>
<td>51.2</td>
<td>-8.2</td>
<td>56.6</td>
<td>48.7</td>
<td>-13.9</td>
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<tr>
<td>Net prime yield office (%)</td>
<td>4.45</td>
<td>4.00</td>
<td>-10.1</td>
<td>4.80</td>
<td>4.45</td>
<td>-7.3</td>
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<tr>
<td><strong>Office multiplier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Centre</td>
<td>19.5–24.5</td>
<td>17.0–21.5</td>
<td>18.5–22.0</td>
<td>19.0–23.0</td>
<td>19.0–24.5</td>
<td>21.0–27.0</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td>17.0–20.0</td>
<td>14.0–16.0</td>
<td>15.0–18.5</td>
<td>15.5–19.0</td>
<td>16.0–19.0</td>
<td>18.0–22.0</td>
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<tr>
<td>Periphery</td>
<td>14.0–17.5</td>
<td>12.0–14.0</td>
<td>12.5–15.0</td>
<td>13.0–16.5</td>
<td>13.0–17.0</td>
<td>13.5–16.5</td>
</tr>
<tr>
<td><strong>Retail/office multiplier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>City Centre**</td>
<td>23.0–28.0</td>
<td>22.0–27.0</td>
<td>22.0–27.0</td>
<td>22.0–27.0</td>
<td>22.5–27.5</td>
<td>24.0–30.0</td>
</tr>
<tr>
<td>District Centre</td>
<td>15.0–18.0</td>
<td>15.0–17.5</td>
<td>15.0–17.5</td>
<td>15.0–18.5</td>
<td>15.0–18.5</td>
<td>16.5–20.0</td>
</tr>
<tr>
<td><strong>Logistics multiplier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Periphery</td>
<td>13.0–17.0</td>
<td>14.0–18.0</td>
<td>14.0–18.0</td>
<td>14.0–18.0</td>
<td>14.0–18.0</td>
<td>14.0–18.0</td>
</tr>
</tbody>
</table>

* Gross multiplier = Selling price (without incidental costs) divided by the annual net rent
** In individual cases, these multipliers can sometimes be considerably higher as the result of special circumstances.
BEST RESULT OF ALL TIME

With a total of around 8.28 bn €, the Berlin investment market generated its highest-ever transaction volume. It was almost twice the already very good prior-year turnover and even exceeded the previous record from the boom year of 2007 by more than 20 %. So the German capital heads the nationwide ranking in more than just this single-year performance: it is also a fact that no German city has ever before registered a higher transaction volume. The result left Frankfurt and Munich way behind in second and third places, each with around 6.0 bn €. Portfolio deals included on a pro rata basis made a contribution of about 21 % to the Berlin total, which was not exceptional by long-term standards – in the boom year of 2007, for instance, the portfolio volume was more than twice as high. The final three months of 2015 were especially productive, generating nearly 43 % of the whole-year total thanks to several major deals such as the sale of the Potsdamer Platz ensemble. Although the number of deals has risen to over 200, the average price per sale – at some 40 m € – was considerably higher than in 2014.

MANY DEALS UPWARDS OF 100 M €

Even though turnover rose in almost all the size classes, the segment upwards of 100 m € really stood out, with a share of more than 45 % and an absolute increase of 257 %. That reflects a large number of major sales, such as Potsdamer Platz and the office and retail quarter The Q. Altogether, there were more than twice as many deals in this category as in 2014. A notable proportion of turnover was also registered by the 50–100 m € class, with 24 %. It was followed by the 25–50 m € bracket with just under 17 %. The 10–25 m € class was the only one to post a turnover decline, of around 13 %; this lowered its share by 13 percentage points to just over 10 %. Even deals in the bracket of under 10 m € expanded by 35 % to contribute 4 % to the total.

BROAD RANGE OF BUYERS

As always, the demand side was broadly structured. The end-of-year ranking saw two groupings sharing the top slot: special-purpose funds and equity / real estate funds (each: around 18 %). Another distinctly double-digit contribution was made by listed real estate companies / REITs (just under 15 %). Other categories with shares of over 5 % were sovereign wealth funds and pension funds (each: around 8 %), property developers (7 %), private investors (6 %) and insurances (just under 6 %). Foreign investors accounted for a share of 51 %, more or less on a par with the national average.
VENDEES ALSO EXHIBIT BROAD SPECTRUM

The selling side also showed diversity: altogether, five groupings obtained double-digit shares. In the lead were open-ended funds, which are not normally among the biggest vendors but which this time generated a share of almost 19% thanks primarily to the sale of the Potsdamer Platz ensemble. Some way behind in second place came equity/real estate funds with just under 14%, followed by property developers and private investors, each with about 13%. The other double-digit performer was the category listed real estate companies/REITs with just over 11%. Closed-end funds accounted for over 7%, corporates for a further 6%. Compared with the year before, there was a fall in the proportion of foreign sellers, and at about 37%, this was well below the slice obtained by foreign buyers.

OFFICES GENERATE OVER 50% OF TURNOVER

With a share of some 54%, office buildings actually widened their 2014 lead. Thanks to a large number of individual deals – with just under half of the total – offices attracted more than two-and-a-half times their prior-year volume. Only retail properties were able to register a comparable rise, of 135%. All the same, they still finished well behind in second place with slightly over 25% (+4 percentage points). Hotels contributed about 8%, and with turnover of 647 m € (+85%) posted their best result ever. Development sites added just over 4%, while logistics complexes obtained only a small share, of 2%, due to a lack of supply.

FAIRLY BALANCED DISTRIBUTION

In 2015, investment was spread much more evenly across the market area than it had been the year before. In first place came Topcity with a share of just over 35%, which reflects the Potsdamer Platz sale. Only just behind, with 31%, came the City Centre precincts, which is where by far the most deals were registered. With a share of nearly 21% and turnover of more than 1.7 bn €, the Centre Fringe areas also turned in a very good performance. But the subcentres, too, attracted a great many deals, giving them 13% of the transaction volume. Across the geographical categories – apart from Topcity – the average deal value did not vary all that much: in the City Centre areas it was around 33 m €, in the Centre Fringe 34 m € and in the subcentres about 23 m €.
YIELDS NOSEDIVE
In line with the buoyant demand, prices in all asset classes have continued to climb. So yields have maintained the downward trail that has now been apparent for several years. For example, the net initial yield for premium office properties in the best parts of the city has slipped by 45 basis points to 4.00%. This means that Berlin (together with Hamburg) is now the second most expensive office investment location in Germany after Munich. The prices commanded by retail/office properties on Berlin’s highstreets have also climbed considerably, creating a net prime yield of 3.65% (-30 basis points), which in this respect, too, puts the capital in second place nationwide behind Munich. And especially in this segment of the market, buyers are in isolated cases ready to pay even higher prices. Marked yield compression was also evident in the logistics segment, producing an end-of-December initial yield of 5.40%, equivalent to a year-on-year fall of about 100 basis points.

2016 SET TO BE VERY GOOD – BUT BELOW 2015 LEVEL
Following on from the extremely strong performance registered in 2015, the Berlin investment market is in the starting blocks for another exceptionally good year. The very healthy framework, with functioning and upbeat rental markets, low financing interest rates, and – not least – a lack of alternative assets, should benefit the Berlin investment market. But since not every year can be expected to exhibit individual sales upwards of 1 bn € like the Potsdamer Platz deal, it is rather unlikely that 2016 will be able to match the 2015 total. Against this background, it is reasonable to anticipate one of the best results ever, but nevertheless one below last year’s level.
**BEST INVESTMENT TURNOVER OF ALL TIME**

With a transaction volume of close to 2.2 bn € in 2015, the Cologne investment market posted its best result of all time. It was all of more than 63 % above the prior-year figure and surpassed the previous record, set in 2007, by more than one fifth. Compared with the 2007 performance, the 2015 result comprised a much higher proportion of single deals, which contributed nearly 1.7 bn € or 78 % to the total. The extraordinary investment volume was also substantially influenced by large-unit transactions, such as the sale of Lanxess-Arena to two Asian investors. Overall, major deals upwards of 50 m € accounted for a very high share of the total, nearly 65 % in fact. This lifted the average volume per sale to more than 27 m €, a new record.

**LARGE DEALS DOMINATE THE MARKET**

More than half of the transaction volume (around 1.16 bn €) comprises deals upwards of 100 m €, which thus lead the ranking by an impressive margin, expanding their share year-on-year by nearly 19 percentage points. As well as the fourth-quarter Lanxess-Arena sale, other substantial deals were the sale of the Hürth-Park and of the downtown Kaufhof building as part of the Kaufhof portfolio. What is also notable, though, is the even spread of investment across the three size categories from 10 to 100 m €, with each gaining shares of between 11 and just under 15 %. And even the smallest class, of up to 10 m €, contributed over 8 % to the total, thus more or less matching its prior-year volume.

**INVESTMENT / ASSET MANAGERS LEAD FIELD**

Many different types of investors played an active role in the overall result, but four groupings stood out, with double-digit proportions of aggregate turnover. Investment / asset managers moved up into first place with a much improved share of nearly 24 %. Next came listed real estate companies / REITs with over 20 %, which thus overtook special-purpose funds (more than 12 %). Completing the leading quartet were open-ended funds, which accounted for over one tenth of all the capital deployed. Other appreciable contributions were made by family offices (nearly 9 %) and pension funds (7 %). The proportion generated by foreign investors was just slightly less than 49 %.
CLOSED-END FUNDS HEAD VENDORS
The list of vendors reveals a relatively broad distribution across the various categories, with closed-end funds finishing well ahead of the rest with almost 27% of the sales volume. Something else the survey of the selling side shows is that in Cologne project developments – such as the Gürzenich-Quartier in the downtown area – pay off. This is evidenced by the second place in the ranking gained by property developers with nearly 18% of turnover. Others who took advantage of the good market situation were corporates (16%), special-purpose funds (just under 11%) and private investors (close to 10%). Among the groupings that followed, with single-digit contributions, were listed real estate companies/REITs (almost 6%) and equity/real estate funds (over 4%). Foreign sellers accounted for just under 36%, well down on their prior-year figure.

OFFICE BUILDINGS LEAD RANKING
In Cologne, the top slot in the asset-class distribution of aggregate investment is regularly taken by office buildings, and in 2015, these again attracted more than half of the total, with just under 51%. One especially notable result, though, was that retail properties increased their turnover more than fourfold to achieve a new high, giving them second place behind the favoured office assets with a market share of over 30%. That means that together these two asset classes generated more than 81% of the transaction volume. In contrast, hotels accounted for considerably less investment than the year before, slipping 7 percentage points to just over 5%. Development sites contributed more than 3%, while logistics complexes played a comparatively minor role, with not quite 4% of the total.

CITY CENTRE IN FIRST PLACE AGAIN
Just like in the years before, the City Centre headed the geographical spread of investment with a share of 59%. This was actually over 13 percentage points more than in 2014 and shows that investor interest in core properties in top locations has continued to increase, and that so, too, has the readiness to pay the corresponding prices. The Centre Fringe was also in favour and gained a turnover share of nearly 22%, which was slightly above the prior-year figure. Quite close behind in third place came subcentres (around 19%). The periphery made only an insignificant contribution of less than 1%, something due particularly to a lack of available logistics facilities.
FURTHER FALL IN PRIME YIELDS

For some time now, yields for premium assets in Cologne, just as in the rest of Germany, have been under pressure, and in 2015 this pressure continued undiminished. In the course of the year, the strong demand for top properties in the best parts of this city once again encountered a limited supply, thus triggering higher prices. As a result, the prime yield for retail/office buildings in the best stretches of the pedestrian zones fell during the past twelve months by another 5 basis points to 3.80% at present. In the logistics segment, yield compression was even more marked, with the top yield falling by 115 basis points to 5.25%. The yield for office buildings eased to a year-end figure of around 4.45%.

VERY GOOD OUTLOOK FOR 2016 AS WELL

Against the background of the record result in 2015 and the ongoing very positive general conditions for investing in commercial property, the road is clear for another outstanding performance in this coming year. At the same time, there are no signs of any weakening of the great interest exhibited by domestic or foreign investors. So it seems reasonable to assume that 2016, too, could generate a transaction volume on a par with the excellent total of 1.8 bn € achieved in 2007. However, this will again depend on the conclusion of some major deals of the kind that made a decisive contribution to the new record level of investment registered in 2015. From today’s angle, the high pressure of competition for attractive products in top locations let on long-running leases raises the possibility that the yields in the individual asset classes might fall slightly further.
The surge in the German investment market definitely made itself felt in Düsseldorf, too. With a transaction volume of 3.18 bn €, the city – state capital of Northrhine-Westphalia – achieved its best-ever result. Considerably higher than even in the boom phase of 2006/2007, this exceeded the already good prior-year figure by 47 % and surpassed the long-term average by a handsome 88 %. One reason for this fine performance was a marked increase in the number of deals – the survey covered a total of 115 transactions; another was the appreciable year-on-year rise in sales in the triple-digit million euro range, which naturally also boosted turnover. The biggest such deal was the sale of the Sevens on Königsallee.

As was to be expected, the major deals in the three-figure millions made the biggest contribution to the aggregate volume. They led the distribution with close to 36 %, but this was actually a slightly lower proportion than the year before. That was due to the very marked increase in the volume registered by the other size classes, reflecting the extremely lively scale of demand. The 25–50 m € size category, for instance, posted an appreciable year-on-year rise of 8 percentage points to nearly 23 %. Third place was taken by deals in the 50 to 100 m € bracket, with just under 18 %. Smaller transactions of between 10 and 25 m € obtained a somewhat lower share than in 2014, with 16.5 % (-6 percentage points). In contrast, the smallest segment stepped up its performance by nearly doubling the number of relevant deals to gain just over 7 % of total investment.

In the past twelve months, a particularly prominent role on the buying side was played by listed real estate companies and REITs. With a share of over 24 %, they took over the lead of the investor ranking by a clear-cut margin. Alongside several large-unit purchases, they were also responsible for numerous investments in the mid-range size segment. In second place came last year’s leader, equity / real estate funds, with almost 17 %. Completing the top trio were special-purpose funds with just under 13 %. All the other groupings made just single-digit contributions to turnover. Bunched close together in places four to six, each with between 9 and 10 %, were property developers, corporates and investment / asset managers.
CORPORATES HEAD SELLING SIDE

The list of vendors was headed by corporates, with a share of over 18%. Close behind, with around 17%, came listed real estate companies/REITs, which were thus very active as both sellers and buyers. Equity/real estate funds, which the year before had taken first place, came third with 14% of the total. After hardly putting in an appearance as vendors at all in 2014, open-ended funds gained fourth place with 13%. Next came property developers, who registered a year-on-year decline of over 11 percentage points by obtaining a share of 8.5%. Property firms noted a modest increase to generate just under 7%. The other groupings made only comparatively minor contributions to the sales volume.

OFFICES ASSERT DOMINANCE

A look at the asset-class ranking shows the customary duo at the top. As so often, the distribution was dominated by office buildings, which attracted more than half of total investment but which nevertheless slipped slightly in relative significance. Retail properties defended their prior-year second place with a more than 5 percentage point climb to around 29%. The following places revealed some shifts: hotels attracted considerably more than before and lifted their share to over 9% to take third place. Development sites also gained in favour and obtained over 6%. On the other hand, logistics complexes (4.2%) generated less investment than in 2014.

CENTRE FRINGE REMAINS IN LEAD

Where the distribution of investment across the market area is concerned, all the geographical categories improved on their prior-year totals. The Centre Fringe defended its leading position by obtaining the biggest slice of the aggregate volume, with almost 43%; however, in relative terms this represented a year-on-year fall of some 8 percentage points. The City Centre once again took second place, gaining a share of nearly 36%; this was higher than its 2014 proportion. The periphery, with close to 14%, also posted a modest share increase of just over 3 percentage points, while in absolute terms it attracted almost twice as much capital as the year before. The subcentres also registered an absolute rise, but at just under 8% their share was lower than in 2014.
SHARP DROP IN YIELDS

The extremely buoyant mood in the Düsseldorf investment market was reflected by the way yields developed. For all three of the asset classes covered here, yields have slipped sharply again, with each of them reaching new lows. The prime yield for office buildings, for instance, now stands at 4.35%, corresponding to a year-on-year decline of 35 basis points. As early as the end of the third quarter, the yield for inner-city retail/office properties eased to 3.80% and stayed steady at that level for the rest of the year. Compared with the same time in 2014, that represents a drop of 10 basis points. Only Munich, Berlin and Hamburg are more expensive in this respect. The development of yields for logistics facilities has been particularly striking, with a downward leap in the past twelve months of 115 basis points to 5.25%. Nationwide, only Munich is more expensive, while Düsseldorf is on a par with Frankfurt, Hamburg and Cologne.

OUTLOOK

The sentiment in Düsseldorf’s investment market regarding this coming year is positive. Admittedly, the 2015 result should be considered more as an exception than as a guideline for expectations, but all the same it has demonstrated what this market is capable of, given the right framework conditions and an adequate supply of products. Against this background, a volume above the 2 billion euro mark should be possible once again in 2016. It remains to be seen to what extent the result can be boosted by large deals – after all, quite a number of such deals were already concluded last year. But the lively activity in the small and mid-range size segment should anyway be able to generate an appreciable transaction volume. Since the ECB has already announced that interest rates are likely to stay at their present low level during the rest of this year, key prerequisites for strong demand remain in place.
ANOTHER MARKED INCREASE IN INVESTMENT

Investment in 2015 bettered the already exceptional transaction volume posted the year before. In all, the total invested in commercial properties in the Frankfurt market area came to just under 6.02 bn €. That was 13 % higher than the 2014 figure and the second-best result of all time; it also exceeded the long-term average by a handsome 59 %. The only city to achieve an even higher turnover was Berlin with more than 8 bn €. The number of registered large-volume deals in the triple-digit million euro range increased even further, to 15 altogether. In particular, investors favoured office buildings, such as the Trianon and the Eurotower, and these were responsible for 80 % of the relevant deals. Also noteworthy is the fact that this market segment especially attracted foreign investors, and with their major acquisitions they accounted for about 75 % of the turnover. Viewed across all the registered transactions, the average purchase price rose to over 41 m €.

LARGE DEALS GAIN FAR BIGGER SHARE

Deals in the three-figure millions were responsible for half of aggregate investment. If the size category of purchases between 50 and 100 m € – which was the category exhibiting the strongest growth (81 %) – is added to that, it becomes evident that sizeable sales contributed nearly 71 % to the total, stepping up their absolute volume by about one quarter. Rather different, with lower year-on-year results, was the development of the 25–50 m € size bracket (-24 %) and of small deals of up to 10 m € (-38 %). This was due not to any lack of investor interest, though, but primarily to the lack of an adequate supply in many market segments.

BROAD SPECTRUM OF INVESTORS

Overall, the spectrum of different investor groupings was broad, underlining the strong interest shown in the Frankfurt investment market. Four investor categories generated double-digit slices of turnover. In first place came equity / real estate funds (just over 22 %), which deployed more than 80 % of their capital in office properties. Then, virtually equal with around 16 % each, came investment / asset managers and pension funds. The leading quartet was completed by listed real estate companies (nearly 11 %). Other sizeable shares were generated by property developers (over 9 %) and special-purpose funds (more than 7 %). So together, the six main buyer groupings accounted for about 81 % of all investment. Market players from abroad contributed over 57 %, an above-average figure.
**Shifts in Pattern of Vendors**

Compared with 2014, the structure of vendor groupings has changed. Equity/real estate funds have taken over the lead with slightly more than one third of all turnover, taking advantage of the very good market situation to successfully sell off assets acquired during the last boom phase. In this process, they disposed of several large-volume properties in the triple-digit million range. In second place, not surprisingly, came property developers with a share of just under 17%. They were followed by banks (just over 11%), which in some cases were able to place workout products. Other sizeable vendors were open-ended funds (nearly 10%), listed real estate companies (just over 8%) and corporates (more than 7%). Together, these six categories were responsible for almost 88% of the total sales volume.

**Strong Focus on Office Assets**

In the Frankfurt market, office properties traditionally form the most important asset class and in 2015 they again made up by far the biggest contribution to aggregate turnover, with just slightly more than 75% of the total. This was actually somewhat higher than the long-term average (71%), while the rise in absolute terms – at 23% – was also exceptionally good. In second place, with a comparable increase in volume (around 21%) came retail properties, a category which includes downtown retail/office buildings. At just under 12%, their share of total investment was more or less on a par with the prior-year figure. Hotels, which were unable to match their excellent prior-year result (10%), took third place with just over 4%. Logistics complexes made only an astonishingly small contribution to investment, but this was due quite definitely to a shortage of supply.

**Downtown and Subcentres with Rises**

As was to be expected, the central downtown areas once again attracted the largest slice of investment. Even though their share actually declined by just over 5 percentage points to 62%, their absolute volume increased. It is pleasing to note that this was not due simply to a few large deals, even though these naturally accounted for a key proportion of the total. In fact, the central precincts accounted for one third of all transactions, indicating very buoyant demand in all size categories. The subcentres have stepped up their significance quite appreciably, generating a share of close to 22% and expanding their absolute volume by more than half. They were responsible for more than one third of all deals, although at just under 25 m €, the average sales price there was considerably lower than in the market as a whole.
PRIME YIELDS CONTINUE TO EASE

The strong demand and the associated competition for top assets led to a further fall in prime yields in 2015. The figure for office properties is currently 4.30%, which is 20 basis points lower than at the end of 2014. The prime yield is now 48 basis points below the ten-year average. Frankfurt thus retains a mid-field position among the major German investment locations. Prices for inner-city retail / office buildings also continued to climb, producing a yield in this segment of 3.80%. The most marked example of yield compression, though, was exhibited by logistics, where the net initial yield for top products slipped in the course of the year by 105 basis points to 5.25% at present.

DEMAND TO REMAIN UNDIMINISHED IN 2016

From today’s angle there is every reason to expect 2016 to exhibit a comparable market development. Interest rates remain low, financing conditions are favourable, there is a lack of alternative investments, and occupier markets are picking up – together, these factors suggest that demand will at the least be sustained at its present high level or, more likely, actually gain slightly in momentum, particularly on the part of foreign investors. This is something from which Frankfurt, as Germany’s most international city, should benefit substantially. Against this background, 2016 is set to generate another very high investment turnover. Whether the result will be able to match last year’s depends less on the scale of demand than on the presence of an adequate supply. At present, though, there are many signs to indicate that it will at least be possible to significantly exceed the 5 billion euro threshold again. So the possibility of a further modest fall in yields cannot be excluded.

INVESTMENTS ACCORDING TO ORIGIN OF CAPITAL IN FRANKFURT

NET PRIME YIELDS ACCORDING TO TYPE OF PROPERTY IN FRANKFURT

INVESTMENTS ACCORDING TO ORIGIN OF CAPITAL IN FRANKFURT

in %
SECOND-BEST RESULT OF ALL TIME
In 2015, the Hamburg investment market continued its upward course, generating a transaction volume of 3.98 bn €. That was not just 4 % up on the prior-year figure but also exceeded the 10-year average by 38 %. And it was the best result ever registered apart from that in 2007. Following three extremely productive quarters, with several single deals in the triple-digit million euro range – including the sales of the Berliner Tor Center, the H&M logistics centre in Allermöhe, the Radisson Blu hotel, and part of the Axel-Springer publishing house – the fourth quarter failed to exhibit the customary end-of-year spurt. In fact, the final three months contributed only 17 % to the total, with small and medium-sized transactions. Compared with the year before, portfolio sales stepped up their contribution by 9 percentage points to gain a share of 24 %.

DEALS < 50 m € ACCOUNT FOR HALF OF TURNOVER
The distribution of turnover according to size classes presented a similar picture to that seen the year before. Deals of up to 10 m € achieved a share of just over 7 % (-1 percentage point); those of between 10 and 25 m € just over 19 % (+1 percentage point). The 25–50 m € bracket and the category of large-unit deals upwards of 100 m € both suffered slight relative falls (-3 percentage points) to obtain shares of around 22 % each. The only class to register any notable increase was that between 50 and 100 m €: it grew by more than 6 percentage points to almost 30 %.

INSURANCES TAKE OVER LEAD
In recent years, insurances have tended to occupy a midfield position in the buyer-category ranking, but in 2015 they moved up into first place thanks, among other things, to the purchase of the Berliner Tor Center. That relegated special-purpose funds, which gained a share of just over 16 %, to second place. Also very active in the market were equity/real estate funds (around 14 %) and investment/asset managers (just under 11 %). Among those with single-digit shares were private investors (over 9 %), property developers (nearly 8 %) and open-ended funds (over 5 %). The public sector once again secured a place in the ranking, thanks for instance to the purchase of part of Axel-Springer House for a municipal district office and investment in several redevelopment properties.
EQUITY / REAL ESTATE FUNDS IN FIRST PLACE
On the selling side, equity/real estate funds moved back into the top slot in the ranking after being ousted from it the year before. They contributed one quarter to the aggregate result, generating a sales volume of more than one billion euros. Next, but with a far lower share of just over 14%, came property developers. Property firms and investment/asset managers each accounted for around 400 m € of the total, giving them shares of just over 10%. Also in the Top 5 were open-ended funds; these have shed 4 percentage points in the last 12 months but nevertheless obtained a share of 9%. Close behind, with almost 8%, came corporates. Together, all the other groups of vendors were responsible for almost 24% of the total. Just like the previous year, foreign sellers generated around 41% of the transaction volume, which was somewhat lower than the 51% registered by market players from abroad on the buying side.

FOCUS ON OFFICE ASSETS
At more than 60%, the biggest slice of turnover in 2015 was again generated by the traditionally most highly favoured asset class, office buildings. The result represented both a greater number of deals and a higher absolute volume than the year before. Investment in hotels has continued to develop positively, with a year-on-year expansion of 5 percentage points to nearly 14%, giving them second place in the ranking. Retail properties, on the other hand, suffered a fall of 7 percentage points in their share of turnover to just 8%, something due to the continuing shortage of supply in the Hamburg market. Logistics complexes achieved their best result ever, giving them over 11% by the end of the year, fuelled substantially by the sale of the H&M logistics centre in Hamburg-Allermöhe. All the other forms of occupancy played only a minor role.

INNER-CITY AREAS IN DEMAND
In 2015, the City Centre once again attracted the biggest volume of investment, obtaining a share of more than 37%. In second place came the Centre Fringe, which maintained its good prior-year level with around 31%. The subcentres exhibited a gratifying development, accounting for nearly half of all transactions and stepping up their volume by more than 300 m € (share: 28%). In the periphery, very few deals were registered; these included light industrial properties and business parks but together they contributed only around 3% to the total.
FALL IN PRIME YIELDS

In Hamburg, as elsewhere, the prime yields in the individual asset classes have eased and have now slipped beneath the record low of 2007. This has been due to the extremely good demand situation in combination with the limited supply of investment assets. In the course of the past year, the prime yield for office properties declined by 40 basis points to 4.00% and that for retail/office buildings by 5 basis points to 3.75%. Where the latter are concerned, however, even higher prices can be achieved in specific cases. A particularly appreciable fall was evident in the logistics market, when the prime yield has eased by 105 basis points to 5.25%.

PROSPECTS FOR 2016 GOOD

The performance of the Hamburg investment market in 2015 can be considered distinctly positive. Alongside a broad range of other transactions, the city registered its biggest-ever single deal, with the sale of the Berliner Tor Center for more than 270 m €. The supply situation makes another deal on this scale in 2016 very unlikely, but large-unit assets (> 100 m €) should nevertheless be a focus of activity on both the buying and the selling side, suggesting that the trend of the past 12 months should in all probability continue. Prerequisites for this are an ongoing positive economic climate, with interest rates remaining low.
TÜRNBER RECORD: BILLION THRESHOLD CRACKED
With a transaction volume of nearly 1.2 bn €, the Leipzig investment market more than doubled its prior-year result and thus continued on its positive course. The total exceeded the previous record, set in 2007, by over 210 m €, and comprised 70 % more deals, producing the strong overall total of 78 individual transactions across all size classes. At more than 40 %, a disproportionately high contribution to the turnover – which surpassed the 1 bn € level for the first time – was made by portfolios, especially in the retail segment. Also worth emphasizing: the growth of deals of over 50 m €. Thanks to its steady upward development in recent years, Leipzig has established itself as Germany’s most important B-location for investments.

HIGHER TURNOVER IN ALL SIZE CLASSES
2015’s record performance was fuelled by an increase in investment in all the size classes. The biggest slice of turnover was that generated by the 10-25 m € bracket, which was responsible for more than 37 % of the transaction volume. A remarkably high proportion of nearly one third of the total was also registered by top deals of over 50 m €, which thus made a major contribution to the very good aggregate volume. The smallest size category, of up to 10 m €, accounted by itself for 43 deals, a high number that underlines the liveliness of market activity. Together with the 25-50 m € class, these two market segments each gained 15 % of total investment to share third place. So overall, turnover was spread relatively evenly; that highlights the broad basis of demand and can be seen as a sign of this market’s strength.

PENSION FUNDS HEAD BUYING SIDE
With almost 33 % of turnover, pension funds moved into top place among the buyer groupings by a clear-cut margin. The decisive role in this was played by Canada Pension Plan’s partial acquisition of the mfi assets Höfe am Brühl and Paunsdorf-Center. Quite a way behind in second and third places came equity/real estate funds and listed real estate companies/REITs, with just over 15 % and just over 12 % respectively. Family offices just scraped into double figures with a slice of around 10 %, but that meant a decline of nearly 14 percentage points and the loss of their prior-year lead. Another sizeable contribution was made by property developers, with 8 %. A notable factor was the high proportion which foreign investors in Leipzig again accounted for, at 62 % this was once more higher than in any of the Big Six locations.
EQUITY/REAL ESTATE FUNDS MOST ACTIVE VENDORS

On the selling side, property developers had to surrender their leading position to equity/real estate funds. These lifted their share to nearly 27%, utilising the very good market situation for the successful onward selling of assets they had acquired during the last boom phase. These assets mainly comprised offices and retail/office buildings, some of which were sold off as parts of larger portfolios. Listed real estate companies/REITs moved up into second place by gaining close to 19%. In third place came property developers with just over 15%, representing a decline of about 21 percentage points. This was because although more projects were sold than in 2014, they were smaller in size on average. In the single-digit percentage range came family offices and corporates with relatively large sales volumes, accounting for shares of just over 9% and 8% respectively. Noteworthy proportions were also achieved by closed-end funds (almost 6%) and investment/asset managers (over 5%).

RETAILS PROPERTIES RETAIN LEAD

The asset-class ranking was once again led by retail properties, a category that also includes inner-city retail/office buildings. They took first place in sovereign style with a share of almost 49%, equivalent to an absolute turnover of about 565 m €. Office assets stepped up their performance slightly to obtain a very good result of nearly 30% with over 345 m €. The transaction volume generated by hotels is also on a modest upward course, and with 117 m € they registered a slice of slightly more than 10%. Logistics complexes posted just over 7%, corresponding to a decline of around 8 percentage points although they in fact attracted somewhat more capital than before. The reason for the relative fall was not any lack of interest on the part of investors but simply an inadequate supply of market-conformant assets.

ALMOST ALL AREAS WITH HIGHER TURNOVER SHARES

As before, the geographical distribution of investment in 2015 was headed by the City Centre, with just over 33%. Although this meant a decline of 13 percentage points, this top precinct was actually able to increase its transaction volume by 60% to nearly 384 m €. Close behind came the Centre Fringe and the subcentres, each contributing about 31%. In particular for the subcentres, this represented a very dynamic development, with a sevenfold rise in investment volume compared with 2014. Both the Centre Fringe (20) and the subcentres (28) generated more deals than the City Centre (17). Way behind in fourth place in the otherwise more balanced distribution came the periphery, with 5%.
FALL IN PRIME YIELDS
The ongoing very buoyant demand and the great interest shown in Leipzig by investors led to falling yields in all segments. By the end of 2015, the abundance of potential buyers and the shrinking availability of assets had produced the lowest net prime yields ever registered. In the course of the year, the yield for office properties slipped by 40 basis points to 5.00%. The development in the field of downtown retail/office buildings was similar, with the net prime yield in the premium segment now standing at 4.50%. The top yield for logistics complexes has actually fallen by all of 80 basis points, to 5.90% at present. Yield compression of this kind reflects the attractiveness and increasing stability of the Leipzig investment market.

FRAMEWORK SIMILAR IN 2016
Leipzig’s growing importance as an investment location is underlined by the record figures obtained in 2015, with the best-ever transaction volume of nearly 1.2 bn € and the outstanding total of 78 registered deals. The city is favoured especially by foreign investors. With its good locational conditions, this trade fair venue can increasingly be regarded as an alternative to the major German investment centres. The dynamic economic development and the steady expansion of the population form the basis for sustainable investments. Other general factors such as the still low interest rates should also act as a stimulus to the market. So this coming year can be expected to feature stable strong demand, making a transaction volume well above the long-term average appear a realistic proposition.
SIX BILLION TURNOVER: SECOND-BEST RESULT
With 6 bn €, the Munich investment market was able to step up its already outstanding prior-year result by more than 12 %. The ten-year average was bettered by all of 55 %. Only in the boom year of 2007 was an even higher turnover registered, but that had been fuelled to a much greater extent by portfolio contributions. In terms of single deals, the 2015 performance set a new record, passing the 5 billion threshold for the first time ever. Nationwide, only Berlin attracted more investment, with the considerably higher volume of over 8 bn €. It is notable that the Munich total was achieved despite a slight fall in the scale of large-unit deals in the triple-digit million range. The most important transactions included the sale of the Siemens Campus in Neu- perlach, the Elisenhof retail/office building and the Sofitel Bayerpost hotel, both located by Munich’s Central Station.

RELATIVELY EVEN SPREAD OF TURNOVER
Around one third of the volume comprised sales in the triple-digit million euro range. That was a lower share than the year before and this was also the only size class which generated somewhat less turnover in absolute terms. This shows that the excellent result was not due to just a few major deals but was fuelled by very lively demand in all segments – something also reflected by the large number of registered sales (155). Second place in the size ranking went to the 50–100 m € class, with nearly 28 %. But smaller deals up to 25 m € also accounted for a share of 16.5 %.

MANY DIFFERENT INVESTOR GROUPINGS
An indication of the strength of interest in Munich as an investment location is the fact that a total of nine categories of market players obtained shares of around 5 % or above. Moreover, these were highly diverse groupings, often with very different risk profiles. In first place came equity/real estate funds (over 19 %), which invested predominantly in office buildings, and particularly in the core plus and value-add segment. Second and third places went to insurances and special-purpose funds with virtually equal shares of around 12 %; the latter were active mainly in the subcentres and the periphery. Other sizeable contributions were made by listed real estate companies/REITs (around 9 %), property developers (nearly 8 %), private investors (around 7 %), open-ended funds (6 %), and corporates and sovereign wealth funds (each: about 5 %). The proportion of foreign investors was just over 48 %, which was an appreciable increase on the 2014 figure but still somewhat lower than the figures obtained in the other major locations.
On the selling side, as had been expected, two groupings made a disproportionate contribution to the sales volume. The first comprised property developers with a share of over 23%. They benefited from the strong demand and disposed of their projects immediately after or even before completion. Second place went to equity/real estate funds, which utilised the very good market situation for instance for the successful onward selling of products acquired during the last boom phase. All the other investor categories were responsible for much lower sales volumes.

In contrast to 2014, when offices obtained a rather low proportion of turnover by long-term standards, in 2015 they were back closer to their multi-year average, with around two-thirds of the total. In absolute terms, they stepped up their investment volume by over one third. Hotels moved up into second place in the asset-class ranking with the record result of 747 m €, corresponding to slightly more than 12% of the transaction volume and impressively confirming the upward course which properties of this kind have been pursuing for several years now. Just behind in third place, with close to 11%, came retail buildings with 638 m €; this represented a year-on-year decline but was well above the long-term average. All the other asset classes played a comparatively subordinate role.

In 2015, a distinguishing feature of the Munich investment market was once again the extensive contribution to the transaction volume made by all parts of the market area. Hardly any other city reveals such a balanced spread of investment, something which also underlines the great confidence investors show in the Bavarian capital. The geographical stakes in 2015 were won by the subcentres; they contributed 36.5% to turnover and also stepped up their absolute volume appreciably. Quite close together in second and third places came the Centre Fringe and the City Centre, with just under 27% and just over 23% respectively, and with investment volumes similar to those noted the year before. The peripheral zones accounted for slightly more than 13%, equivalent to a slight year-on-year decline.
FURTHER FALL IN PRIME YIELDS
As was anticipated, the strong and broadly based demand and the resultant competition for the available assets led to a further fall in yields in 2015. This applied to all locations and market segments but was especially apparent in the high-value range. In the course of the last year, the prime net initial yield for office properties eased by 60 basis points to the present figure of 3.65 %. This means that Munich remains Germany’s most expensive city. In the logistics sector, the yield compression was even more marked: the prime yield, at 5.20 %, is now 100 basis points lower than at the end of 2014. The increase in prices in the anyway already expensive market segment of retail/office properties in the best parts of the pedestrian zones has been just relatively moderate. There, the prime yield slipped by 10 basis points last year to 3.40 %. But it must be borne in mind that particularly in this market segment, considerably higher prices can be achieved in isolated cases given specific circumstances.

OUTLOOK REMAINS VERY POSITIVE
From today’s angle there is no sign of any scenario which could lead to a changed situation in 2016. So it seems reasonable to assume a stable and very buoyant demand and healthy market. Backing this estimation are the general conditions, such as the record level of employment, the historically low scale of joblessness, and a solid economic growth forecast of around 2 %. The ongoing low interest rates and the favourable financing conditions also need to be mentioned in this connection. Then there are the specific features of the Munich market. Above all these include the very broad range of players, the traditionally high proportion of private investors, and the seemingly unshakeable confidence exhibited in this city by market participants, as demonstrated for instance by the level of prices and the wide distribution of investment across all locations. In view of all this, the coming year can be expected to generate another very high investment turnover well above the long-term average. Whether a result matching last year’s total can be achieved remains to be seen – and will once again be decisively influenced by the availability of investment products.
5 BUSINESS LINES
in Germany

German locations

**BNP PARIBAS REAL ESTATE GMBH**

10719 Berlin
Kurfürstendamm 22
+49 (0)30-884 65-0

50676 Cologne
Cäcilienkloster 10
+49 (0)221-93 46 33-0

40213 Düsseldorf
Berrickrath Strasse 18-20
+49 (0)211-52 00-00

45127 Essen
Kettewiger Strasse 2-10
+49 (0)201-90 22-2

60311 Frankfurt am Main
Goetheplatz 4
+49 (0)69-298 99 33-0

20355 Hamburg
Axel-Springer-Platz 3
+49 (0)40-348 48-00

30559 Hannover
Karmarschstrasse 20-22
+49 (0)511-99 73 73-0

04109 Leipzig
Markt 18
+49 (0)341-711 88-0

80539 Munich
Maximilianstrasse 35,
Building C / Entrance
Herzog-Rudolf-Strasse
+49 (0)89-55 23 00-0

**BNP PARIBAS REAL ESTATE CONSULT GMBH**

10719 Berlin
Kurfürstendamm 22
+49 (0)30-884 65-0

50933 Cologne
Eupener Strasse 135-137
+49 (0)221-510 91 88-0

01067 Dresden
Ammerstrasse 72
+49 (0)351-79 67 57-10

40547 Düsseldorf
Fritz-Von-Pfugl-Strasse 26
+49 (0)211-301 82-0

60594 Frankfurt am Main
Walther-von-Cronberg-Platz 2
+49 (0)69-297 24 36-0

98667 Gotha
Brieglebstrasse 22
+49 (0)3621-75 17-85

20355 Hamburg
Axel-Springer-Platz 3
+49 (0)40-348 48-00

30559 Hannover
Karmarschstrasse 20-22
+49 (0)511-99 73 73-0

04109 Leipzig
Markt 18
+49 (0)341-90 28 89-00

80539 Munich
Maximilianstrasse 35,
Building C / Entrance
Herzog-Rudolf-Strasse
+49 (0)89-55 23 00-60

70173 Stuttgart
Breite Strasse 2
+49 (0)711-14 70 80-20

**BNP PARIBAS REAL ESTATE INVESTMENT MANAGEMENT GMBH**

80636 Munich
Albrechtstrasse 14
+49 (0)89-121 73-0

Worldwide locations

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