SUPPLY SHORTAGE LIMITS TURNOVER

With an investment volume of around 2.1 bn €, the Berlin market was admittedly not able to match the record it set in the prior-year period but still posted its third-best result of all time. In the field of single deals, the result was actually the second-best ever. That indicates that the year-on-year decline was due primarily to the lower contribution made by portfolio transactions included on a pro-rata basis. This was about 42 % below the prior-year figure and formed only about one third of aggregate investment. That is in line with the general development nationwide, where the fall in the portfolio volume was in fact around 50 %. Another factor has been the shortage of large-unit sales: deals in the first half were on average considerably smaller than before. Particularly in the upper double-digit and the triple-digit million euro segment, there is a lack of supply, something reflected by the fall in the average volume per sale to 25 m €.

VERY BALANCED SPREAD ACROSS SIZE CLASSES

Whereas in the first half of 2015, assets in the three-figure million range generated nearly half of all investment, the volume in this segment has now fallen by almost two-thirds. It is still the best-performing category, with over 26 %, but its lead is far lower. Then comes the 10-25 m € class, with a handsome 24 %. The biggest growth though, of 13 percentage points, was posted by the next-bigger category, 25-50 m €, with 22 %. Assets of between 50 und 100 m € registered a stable share, at 21 %, but a lower volume. Small products of up to 10 m € accounted for the remaining 7 %.

HOTEL SEGMENT EXTREMELY STRONG

In contrast to the fall in investment in almost all asset classes due to supply shortages, the hotel segment registered a distinctly positive balance-sheet, more than doubling its volume to over 560 m €, fuelled by the two Berlin hotels in the Interhotel portfolio. This gave it a more than 27 % share of total investment. All the same, the biggest share was secured by offices, with close to 42 %, which was a modest relative rise. Retail properties, which had headed the field at the middle of 2015 thanks to sales from sizeable portfolios, saw their share drop to 14 %. That was comparatively low by long-term standards, too, and resulted mainly from the virtual absence of any available large-unit assets. Logistics facilities accounted for 5 % and – like hotels – registered a slightly higher absolute volume.
CITY CENTRE PRECINCTS LEAD FIELD AGAIN
Just like last year, the City Centre areas attracted by far the biggest share of investment, with about 37%. That put them well in front of Topcity, which moved up into second place with nearly 27%. Thanks to a series of deals – with around 44% of the assets sold – the subcentres were strongly represented, achieving a fine share of almost 25%. Turnover in the Centre Fringe has been low up to now, sending its share down to just under 12%.

LISTED REAL ESTATE COMPANIES OUT IN FRONT
Several of the biggest deals were concluded by listed real estate companies/REITs and this gave them a clear-cut first place, with around one third of the total volume. Then, a long way behind, come such other groupings as investment managers and corporates, each with just over 10%, property developers with nearly 9%, and property firms with slightly over 7%. Pension funds and private investors were each responsible for about 6% of the total. These figures indicate that the spectrum of market players active in Berlin is very broad. And this is also evidenced by the relatively high share of 18% obtained by all the other buyer categories together. Foreign investors accounted for close to 60% of the result, which is well above the nationwide average (35%) and higher than in any of the other large German cities.

DEMAND IMPACTS ON YIELDS
The pressure of demand continued undiminished in the first half, pushing yields down even further. Year-on-year, the net prime yield for premium office buildings has fallen by 55 basis points to around 3.70%. That is just marginally higher than the prime yield for retail/office properties, which is now 3.60% (-35 basis points). The prime yield for logistics complexes already fell sharply in the course of 2015, and since the start of this year has stayed steady at 5.40%.

OUTLOOK
The performance of the Berlin investment market up to the half-year point has been impressive, even though it fell short of the prior-year total. Like many of the other major German cities, Berlin has suffered from a shortage of supply, which has restricted turnover. Fundamentally, the capital – with its well-functioning user markets and enormous overall development – is one of the country’s most interesting markets, not just for domestic players but also, and above all, for investors from abroad. Against this background, the result for the year as a whole should be exceptionally good, with the final volume depending substantially on the availability of large-unit assets.