NEW RECORD IN MARKET SEGMENT UP TO 100 M €

At the half-year mark, the volume of transactions with sizeable stocks of residential units (upwards of 30 units) totalled over 4.31 bn € and was thus 75 % down on last year’s record figure. But that cannot actually be considered a yardstick for comparison because it was boosted disproportionately by the acquisition of Gagfah by Deutsche Annington (now: Vonovia). Excluding the 2015 total, this year’s result is only 9 % below the ten-year average. The decline has been due to the limited turnover in the triple-digit millions, which came to just 655 m €. Activity in the price segment up to 100 m €, on the other hand, was very lively, with the relevant turnover growing by 41 % to nearly 3.66 bn €. That represents a new record, and is twice as high as the long-term average. This highlights the ongoing strong demand for residential assets. It also shows that the aggregate volume, which can be influenced strongly by just a few large deals, does not necessarily reveal that much about the current scale of market dynamism. The survey covered over 150 deals involving a total of just under 42,300 residential units. The average price per sale was just over 28 m €.

TURNOVER GROWS IN MANY MARKET SEGMENTS

With the exception of large existing portfolios – where, as indicated above, turnover has dropped strongly – all the market segments actually registered higher volumes. This applies both to block sales of existing units (older or modern) in a single location and to project developments. The volume of the former rose by 28 % to just over 1.25 bn €, the volume of the latter expanded by 29 % to slightly more than 1.21 bn €, with many core investors securing newly built homes in order to benefit from the positive population development in many cities. The biggest increase, though, was exhibited by the category of miscellaneous residential units, particularly student hostels and micro-apartments. Here, turnover tripled to 268 m €.

MARKED INCREASE IN MID-RANGE TRANSACTIONS

In contrast to large three-figure million euro package sales, where turnover dropped by all of 95 %, the volume of medium-sized transactions of between 25 and 100 m € increased significantly. It expanded by almost 77 % year-on-year to around 2.8 bn €, with particularly strong growth in the 25-50 m € bracket (+147 %). The category of smaller deals up to 25 m €, on the other hand, suffered a slight decline, which was due at least partly to the lack of relevant assets.
SPECIAL-PURPOSE FUNDS MOST ACTIVE GROUPING

With a turnover share of more than 36%, special-purpose funds have gained the top slot in the investor-category ranking. Listed real estate companies/REITs — after dominating the field frequently in recent years with major purchases and acquisitions — came far behind in second place with just over 14%. Other double-digit contributions were made by property firms, with around 13%, and private investors, with almost 11%. Together, all the remaining groupings were responsible for a further slice of more than one quarter of the total, which impressively highlights the generally broad basis of demand. German investors accounted for three-quarters of the transaction volume.

FURTHER RISE IN PURCHASE PRICES

The undiminished scale of demand and the inadequate extent of supply have in many cases intensified the competition between investors. That is reflected by a renewed rise in purchase prices in several market segments. This does not apply only to high-grade modern project developments but especially also to existing residential units — a submarket that in the first half of this year featured some benchmark transactions, with prices which until recently were conceivable only with projects. One factor here is the positive view that investors take of the future development of rents.

BERLIN BY FAR MOST FAVOURED LOCATION

In the first half of 2016, Berlin was the most favoured investment target by a considerable margin. It attracted more than 1.06 bn €, equivalent to one quarter of the overall transaction volume. Frankfurt, though, was also the scene of some extensive deals, generating over 360 m € (share: over 8%). In third place came Hamburg, with around 230 m € (share: more than 5%). Together, the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) accounted for just under half (48%) of all investment, a considerably bigger slice than in the two previous years. One reason has been the increased significance of project development sales.

RESULT SET TO MATCH LONG-TERM AVERAGE

From today’s angle, the second half also looks likely to feature very lively activity, but, as before, this will probably be confined mainly to the small and mid-range segments of the market. In view of this, the most probable scenario for the year as a whole is a total volume on a par with the long-term average — and excluding the record year of 2015, that stands at around 10.3 bn €. Currently, that can be seen as the lower level of expectation for 2016.

Further information
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