BERLIN INVESTMENT MARKET NATIONWIDE LEADER

With an investment volume of over 3.7 bn €, the Berlin investment market has again turned in an excellent performance. Only in the first three quarters of last year and in the boom year of 2007 was turnover higher. In fact, an even better result would definitely have been possible if supply had been more extensive. Single deals accounted for close to 3 bn €, the second-highest total after that achieved in 2015. Nationwide, the capital city takes first place, well ahead of Munich and Frankfurt (each: 3.2 bn €) and Hamburg (3.1 bn €). Berlin properties changing hands within the framework of portfolio transactions generated about one fifth of all investment, a slightly lower proportion than last year. The survey covered nearly 140 deals; this was more or less the same as in 2015. Accordingly, the average volume per sale has fallen considerably, to about 27 m €.

FEWER DEALS OF OVER 100 M €

The main reason for the lower aggregate volume was a decline in the number of deals in the triple-digit million euro range. This was where the shortage of supply was especially notable: in the first three quarters of last year, turnover in this segment accounted for more than 43 % of the total, the figure so far this year is only 31 %. In absolute terms, turnover in this category fell by 44 %. Restricted availability also cut back the volume of capital deployed in the 50-100 m € category (-30 %; share: 22 %). On the other hand, the size class of 10 to 25 m € attracted far more investment than before, and with over 24 % of the total is now the second-biggest category. Mid-range assets of between 25 and 50 m € accounted for a further 17 %, the class of properties up to 10 m € for around 6 %.

OFFICES AGAIN MOST FAVOURED ASSETS

In the first three quarters of 2016, offices were again by far the most favoured assets, even though their share of the total – at 46 % – did not give them such a clear-cut lead as before. Retail properties remain in strong demand but are in short supply; they accounted for about 22 %. The sale of hotel buildings has been really rocketing and they have expanded their share to around 17 %. Almost two-thirds of that, though, was generated just by the two Berlin hotels in the Interhotel portfolio. Logistics complexes are also popular but scarce, resulting in a share of only 3 %, just as in 2015. Together, all the other forms of real estate – chiefly comprising development sites and nursing homes – accounted for the remaining 12 %.
Investments according to location in Berlin Q1-3 2016

- Topcity: 25.0% in 2016, 26.5% in 2015
- City Centre: 28.6% in 2016, 38.7% in 2015
- Centre Fringe: 19.6% in 2016, 27.7% in 2015
- Subcentres: 18.7% in 2016, 15.2% in 2015

FAIRLY BALANCED GEOGRAPHICAL SPREAD

Compared to the year before, investment was spread somewhat more evenly across the market area. Overall, the Topcity and City Centre precincts attracted a considerably lower volume than before, which can be seen as an indication of the inadequate supply in the central areas. The Centre Fringe registered a slight increase in investment. All the same, the City Centre locations again headed the geographical ranking, but they did so only very narrowly, with a share of 29 % as against the 28 % registered by the Centre Fringe districts. Quite close behind came the Topcity precincts, with around one quarter of all the capital deployed. The subcentres were able to step up their share to just under 19 %.

Investments according to buyers' groups in Berlin Q1-3 2016

- Listed real estate companies/REITs: 20.1% in 2016
- Investment/asset managers: 13.6% in 2016
- Equity/real estate funds: 13.2% in 2016
- Property firms: 11.8% in 2016
- Property developers: 9.8% in 2016
- Private investors: 9.4% in 2016
- Corporates: 6.8% in 2016
- Others: 15.3% in 2016

LISTED REAL ESTATE COMPANIES HEAD FIELD

On the buying side, listed real estate companies were responsible for several of the more sizeable deals and compared with other groupings were particularly active in the portfolio segment; this helps to give them first place in the investor ranking, with over 20 % of the total. Then, bunched close together, come asset managers (14 %), equity/real estate funds (13 %) and property firms (12 %). Other notable contributions were made by property developers (10 %), private investors (9 %) and corporates (7 %). The Berlin market enjoys the special favour of foreign investors, and at around 50 % their share is not only above the nationwide average (38 %) but is also the highest among the major locations.

Net prime yields according to type of property in Berlin

- Office: 3.40% in 2016
- Retail: 19.6% in 2016
- Logistics: 38.7% in 2016

PRIME OFFICE YIELDS NOW ALSO BELOW 4%

The surplus in demand is reflected quite clearly by the development of net prime yields, which have continued to slip sharply in the past 12 months. The prime yield for offices is now 3.40 %; this follows a year-on-year fall of 70 basis points, more than in any other city. Only Munich is even more expensive. Logistics yields have also fallen appreciably (-45 basis points) and now stand at 5.20 %. Highstreet assets provide a top yield of 3.40 % but in isolated cases can achieve even higher prices.

OUTLOOK

Real estate in the German capital is in greater demand than ever before, with no end of the boom in sight. This development is being backed by very good performances on the user front: the office market is proceeding from one record to the next, while streams of tourists are boosting hotel overnight-stay and occupancy figures. Building activity has also risen again, ensuring a growing pipeline of fresh products. All the same, the supply of attractive assets is not sufficient to satisfy demand, especially in the large-unit segment. Against this background, the final quarter is set to be distinctly lively but the prior-year record (8.3 bn €) will nevertheless remain out of reach.