INVESTMENT SURGE SUSTAINED

Following on from the record year of 2015, the Leipzig investment market has also concluded the first three quarters of this year with an excellent result. At around 731 m €, the transaction volume admittedly fell some 15% short of the prior-year total but it would already qualify as the third-best performance for any whole year in the past ten years. Especially notable is the contribution made by single deals: at 602 m €, this exceeded last year's figure by a handsome 34% and set a new high. On the other hand, turnover with portfolios (included on a pro rata basis) was more than two-thirds lower than before. The number of sales covered by this survey has fallen slightly.

FAR BIGGER TURNOVER IN 50-100 M € SEGMENT

With a share of more than 38% of all investment, the class of sales between 50 and 100 m € not only took first place in the size ranking but also almost doubled its prior-year absolute volume. A turnover increase of 50% was also registered by the smallest size class; this gave it a share of nearly 23% and it once again accounted for the largest number of deals. In contrast, the two mid-range categories have lost in significance, in both absolute and relative terms, but whereas the 10–25 m € bracket was nevertheless responsible for over 31% of the result, investments of between 25 and 50 m € only generated just under 8%. In the biggest size class, upwards of 100 m €, there have so far been no deals this year.

RETAIL ASSETS ATTRACT ONE EURO IN EVERY THREE

Retail properties have once again been the most favoured asset class, accounting for more than one third of all turnover. Whereas last year their aggregate volume was boosted chiefly by the pro rata contributions made by package sales, this year’s very good result has been due primarily to large-unit single deals, such as those involving the Hain spitze and the Allee-Center. Office buildings still remain in demand, though, and they have generated more than one quarter of total investment, with the sale of the Technical Town Hall a particularly notable example. Hotels have been responsible for the pleasingly high proportion of nearly 23%, attracting the comparatively substantial total of just under 165 m €. Just as in 2015, logistics complexes have secured a slice of slightly over 4%.
CENTRE FRINGE LEADS IN TERMS OF VOLUME AND NUMBER
Unlike last year, when the City Centre predominated, in the first nine months of this year by far the biggest contribution to the very positive result has been made by the Centre Fringe. It has accounted for a considerably greater volume than last year thanks to the biggest number of deals and a higher average per deal. The subcentres also attracted substantial investment (over 29%), for instance through the sale of the Allee-Center in the Grünau district. Up to now, the City Centre has registered only one large-unit transaction (the Hainspitze), so that it has dropped to third place in the ranking, with around 16%. The periphery was responsible for the remaining 9% of turnover.

LISTED REAL ESTATE COMPANIES CLEAR-CUT NUMBER ONE
In the buyer-category ranking, listed real estate companies/REITs have moved up into first place with the substantial proportion of more than one quarter of the aggregate transaction volume. One reason for this performance has been the pro rata contribution made by the sale of the Interhotel portfolio. Investment/asset managers take second place with 13%, followed closely by insurances with 12%. All the other investor groupings generated just single-digit shares, with sizeable slices being secured by property firms and property developers (each: just over 8%), and special-purpose funds and corporates (each: around 7%). Foreign investors accounted for 41% of the total, which is slightly above the nationwide average (38%).

YIELDS FALL YEAR-ON-YEAR
In the past twelve months, the robust demand in combination with the resultant competition among investors has produced a further decline in the anyway low level of yields. The most marked example of yield compression has been exhibited by logistics complexes, where yields have eased by 40 basis points to 5.70% at present. The net prime yields for premium retail/office properties and for first-class office buildings already fell by 10 basis points in each case in the final quarter of 2015 and have stayed steady since then at 4.50% and 5.00% respectively.

OUTLOOK
The outstanding result at the nine-month point provides fresh evidence that Leipzig has become an established presence alongside the Big Six locations and is proving highly attractive to both domestic and foreign investors. Especially gratifying to note has been the new record set by single deals and also the broad distribution of aggregate turnover across the different size categories and asset classes. Given a buoyant final quarter, the 1 bn € threshold comes within reach for the second time in succession.