At a Glance Q4 2016

RESIDENTIAL INVESTMENT MARKET GERMANY

POWERFUL FINAL QUARTER
In 2016, the volume of transactions involving sizeable housing stocks (upwards of 30 residential units) totalled around 13.53 bn €. Above all the last three months of the year – with turnover of more than 6 bn € – really made the result soar. Admittedly it was around 44 % down on the prior-year performance but that cannot provide a basis for comparison because it had been fuelled substantially by the acquisition of Gagfah by Deutsche Annington (today Vonovia). More meaningful is a comparison with the ten-year average, and the 2016 total exceeded that by a handsome 21 %, thus impressively underlining the buoyancy of market activity. The significance of large-unit deals declined year-on-year, while that of mid-range transactions increased. In fact, only two sales of more than 1 bn € were registered: Morton Stanley’s acquisition of the German housing portfolio of the BGP Holding of Australia and Vonovia’s purchase of a majority stake in Conwert. Altogether, the survey covered more than 300 deals involving a total of nearly 137,300 residential units. The average price per sale was just over 44 m €. The average sales price per unit was just under 99,000 €, equivalent to slightly more than 1,520 € per m².

PROJECT DEVELOPMENTS MAINTAIN THEIR DYNAMISM
The upward trend in the field of project developments that had already been apparent in 2015 continued undiminished in 2016. In fact, this segment stepped up its transaction volume by all of 24 % on the prior-year figure to generate just over 2.82 bn €, thus contributing around 21 % to the overall result. Two key developments have continued to gain in importance: the growing interest of investors in B-locations and the increasing proportion of forward deals. As before, existing portfolios accounted for the biggest slice of turnover, with 58 %. A major role in this was played by the two large-volume deals mentioned above.

LIVELY MARKET ACTIVITY IN ALL SIZE CLASSES
Although they still made the biggest contribution to total investment (48 %), major deals upwards of 100 m € were less dominant than the year before (75 %). In contrast, mid-range sales of between 25 and 100 m € have grown in terms of both relative share and absolute volume, with the two size classes together accounting for around 38 % and expanding the capital they attracted by one third. But small transactions of up to 10 m € were also responsible for almost 4 %.
Investments according to buyers’ groups 2016

- Special-purpose funds: 23.0%
- Listed real estate companies/REITs: 20.7%
- Sovereign funds: 8.7%
- Insurances: 8.3%
- Property firms: 6.8%
- Private investors: 6.3%
- Public sector: 5.8%
- Others: 20.4%

Two investor groupings head field

In the ranking of investors by category, there was a neck-and-neck contest between special-purpose funds and listed real estate companies. This was won by the former with 23.0%, while the latter registered just under 21.0%, fuelled especially by the Vonovia acquisition of the Conwert majority. All other groupings secured only single-digit percentage shares of total investment. It is notable that third and fourth places were also taken by security-oriented investors, who evidently consider German housing stocks sustainable and low-risk assets: sovereign funds (9.3%) and insurances (just over 8%). Together, the remaining investor categories generated around 39% of all the capital deployed, thus underlining the very broad basis of demand and the great interest exhibited by buyers of very diverse types.

Investments according to origin of capital 2016

- Germany: 74.3%
- Europe: 25.2%
- Asia: 2.5%
- North America: 2.1%
- Middle East: 0.2%
- Others: 8.7%

German investors stay in lead

The relative participation of German and foreign investors is unchanged, with domestic market players accounting for three-quarters of the result and thus remaining the most active market players. Among foreign investors, those making the biggest contributions were buyers from other parts of Europe (just over 9%) and from Asia (just under 9%). North American investors were responsible for a turnover share of close to 3%, with participants from the Middle East adding 2.5%.

Investment volume Big Six and share of total volume

In €m

- Big Six: 10,000
- Share Big Six: 70%

Berlin unchallenged in first place

By generating a volume of almost 3.2 bn €, Berlin was once again responsible for the biggest share of total investment. This is an indication of the firm confidence exhibited by many investors in the long-term growth of Germany’s capital city. But other cities, such as Frankfurt (around 950 m €), also benefited from the dynamism of the market. Together, the so-called Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) accounted for more than 42% of nationwide turnover, a considerably higher proportion than in recent years and a sure sign of ongoing strong interest in the major metropolises with their growing populations and the scope they promise for future rental increases.

Buoyant activity in 2017 too

In 2017, demand for housing is set to remain at a very high level. Against this background, activity in the field of residential investment is likely to be lively once again, with substantial turnover volumes especially in the small- and medium-sized segments of the market. In particular project developments and increasingly also forward deals in top locations will remain the focus of ongoing investment. It is notable that third and fourth places were also taken by security-oriented investors, who evidently consider German housing stocks sustainable and low-risk assets: sovereign funds (9%) and insurances (just over 8%). Together, the remaining investor categories generated around 39% of all the capital deployed, thus underlining the very broad basis of demand and the great interest exhibited by buyers of very diverse types.

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