NEW RECORD RESULT
With an investment volume of 395 m €, Leipzig has stepped up its performance for the second year in succession and set a new record for the first quarter. The result was fuelled especially by a major — as-yet undisclosed — deal — which helped to lift the prior-year total by over 28 %. It is notable that the volume was generated almost entirely by single deals (share: 97 %) and also that the number of transactions was very much the same as in the first three months of 2016. Due to the major deal, the average volume per sale rose to about 20 m €, which is, though, still somewhat low by nationwide standards.

GOOD DEMAND IN SMALL-UNIT SEGMENT
The size-class distribution of investment reveals a somewhat unusual picture, with the category upwards of 100 m € leading the ranking with over half of total turnover. In second place came the 25-50 m € class, with slightly more than 24 %, equivalent to a year-on-year rise of 16 percentage points. In contrast, deals of between 10 and 25 m € accounted for a share that – at just 13.5 % – was over 16 percentage points lower than the prior-year figure. Despite the good demand in the small-unit segment of assets up to 10 m €, this generated just a low share of slightly under 12 %. That included the sale of the “Geschäftshaus am Kreuz”.

RETAIL PROPERTIES WELL OUT IN FRONT
The asset-class ranking of investment was headed clearly by retail properties. They increased their prior-year share by nearly 39 percentage points to almost 64 %. That ousted offices from the top slot, and they took second place with just over 13 %. Hotels also accounted for around 13 %, thus maintaining their prior-year level. That result was fuelled for instance by the sale of the Motel One hotel by the Nikolaikirche (St. Nicholas Church). Logistics complexes generated a volume similar to that posted in 2016, with just over 20 m €, giving them a turnover share of around 5 %. The category of miscellaneous real estate, which mainly comprised development sites, also generated 5 %; this was, though, considerably below the prior-year proportion.
PERIPHERY HEADS GEOGRAPHICAL SPREAD
The clear-cut leader in the distribution of the transaction volume in terms of geographical categories was the periphery. It gained almost 47 percentage points to account for nearly 60% of the total. All the other locations attracted considerably less investment than in the same period last year. The relevant figures are: City Centre around 59 m € (-35%), Centre Fringe precincts just under 72 m € (-47%), and subcentres nearly 29 m € (-31%). It is nevertheless pleasing to note that the results for all the categories were higher than the 5-year average.

INCREASE IN PROPORTION OF FOREIGN INVESTORS
By far the biggest contribution to the total posted in the Leipzig investment market in the first quarter was made by equity/real estate funds (54%). Well behind in second place came listed real estate companies/REITs, with 17%. Then came family offices (over 8%), corporates and property firms (each: around 6%), property developers (over 4%) and special-purpose funds (over 2%). Foreign investors deployed much more capital in Leipzig than before, accounting for a share of 56%, which is actually above the nationwide average.

YIELDS EASE SLIGHTLY
The strong demand and restricted supply have prompted a decline in net prime yields in all asset classes, but the fall in the case of offices and retail/office buildings in Leipzig has been somewhat gentler than in the Big Six locations. In each of these classes, the prime yields slipped by 10 basis points, producing figures of 4.90% and 4.40% respectively. Rather more marked was the fall in the top yield for logistics complexes; it eased by 40 basis points year-on-year to 5.50%.

OUTLOOK
The outstanding start to the year, which included a major deal in the Leipzig market area in the class upwards of 100 m €, highlights the positive mood in the investment market. This means that this city has again underlined its significance and status vis-à-vis other B-locations. Whether the year as a whole can also generate a new record will depend primarily on the availability of appropriate assets. From today’s angle it also remains to be seen whether net prime yields will ease even further.