MARKED INCREASE IN RETAIL INVESTMENT

With a transaction volume of around 2.94 bn €, the retail investment market produced an extremely successful first-quarter performance. Compared with the first three months of 2016, when an inadequate supply of assets had restricted turnover to just 1.82 bn €, this year’s result is 61% higher, and it also exceeds the long-term average by the clear margin of around 18%. The positive development was not only fuelled by a marked increase in the volume of single deals, of around 62% to 1.27 bn €, but also by very lively portfolio business, with growth of 60% to 1.22 bn €. That gave portfolios a share of about 41% of aggregate turnover, much in line with the long-term average. The biggest volume was generated by deals in the triple-digit million-euro range; mainly comprising portfolio transactions, these accounted for approx. 44%. A substantial increase was also noted by the 25-50 m € bracket, which registered 22% of all turnover.

MUNICH GENERATES HIGHEST VOLUME

Of the nationwide volume of investment in retail properties, the Bix Six accounted for around 566 m €, equivalent to a share of some 19%. In comparison with other asset classes, that represents a relatively low ratio. This is due on the one hand to the limited availability of premium retail properties in the A-locations of the top cities, and on the other to the fact that Germany offers a host of towns and cities with good shopping precincts and a corresponding supply of core assets even outside the major metropolises. The broad network of discount stores and supermarkets also stretches out into rural areas, creating a spectrum of attractive investment opportunities in this segment. Within the Big Six, Munich once again took the top slot, with over 200 m €. Cologne and Berlin also got off to a good start, with around 153 m € and 134 m € respectively, while Düsseldorf, Hamburg and Frankfurt all failed to pass the 30-million-euro mark.

RETAIL/OFFICE BUILDINGS WELL OUT IN LEAD

Well over half of the retail investment volume went into retail/office buildings (53%), while specialised discount stores/supermarkets, discounters are still somewhat under-represented (28%). Shopping centres and department stores gained similar shares to those registered last year, with around 17% and just over 2% respectively.
PROVEN BUYER GROUPS TAKE TOP 3 PLACES

The foremost places in the category ranking were taken by three traditionally strong groupings: investment managers, equity/real estate funds and special-purpose funds. Out in the lead with over 24% were investment managers. Some way behind came equity/real estate funds, with 19%, and special-purpose funds, with 16%. Single-figure shares were generated by private investors (approx. 9%), property developers (almost 7%), listed real estate companies/REITs (6%) and closed-end funds (5%). Together, all the other types of buyers accounted for 14%. The proportion of foreign investors, 44%, is somewhat higher than in the opening quarter of 2016 (37%) and also slightly above all types of use (39%). Market players from other parts of Europe accounted for the relatively high share of around two-thirds of the foreign investment volume, but substantial contributions were also made by North American investors.

YIELDS IN FIRST QUARTER STABLE

Following the marked yield compression of the previous quarters, net prime yields for retail properties in the first three months of this year stabilised at their end-of-2016 level. Viewed across the Big Six locations, the year-on-year fall nevertheless comes to all of 25 basis points. As before, the most expensive assets are retail/office buildings in the best parts of Munich; these have a prime yield of 3.25%, which is slightly ahead of the 3.30% posted by the German capital. Another expensive city is Hamburg, with 3.40%, while Frankfurt and the Rhineland metropolises of Düsseldorf and Cologne each have a top yield of 3.60%. Especially in this segment, though, prices can go even higher in specific, isolated cases.

In the other market segments, too, after declines in 2016, yields in the first quarter remained stable. For shopping centres, the net prime yield currently stands at 4.00% (-10 basis points); for specialist retail centres, it is 5.00% (-30 basis points). With a top yield of 5.50%, stand-alone discount stores are somewhat more favourably priced (-20 basis points).

OUTLOOK

The strong opening quarter proves that fluctuations in the retail investment volume are due less to demand factors than to the situation on the supply side. Considerable numbers of investors are on the lookout for retail assets like discount stores and supermarkets with their attractive returns, but also for properties in the cities offering lower rates of interest. In the portfolio segment, too, demand is buoyant. Thanks to now slightly greater asset availability, it should be possible in 2017 to exceed the prior-year total of just under 13 bn €.