Investment in the Berlin market area in the first half of the year totalled over 2.8 bn €. That was 38 % higher than in the prior-year period and only 9 % below the half-year record set in 2015 (3.1 bn €). Properties sold within the framework of portfolios made only a comparatively small contribution to the result: they accounted for some 15 %, well below the mid-2016 proportion (33 %). Germany’s capital city benefited from the somewhat greater supply in the large-unit segment upwards of 100 m €, where turnover was almost twice that posted the year before. The biggest transaction in the market area to date has been the sale of the Allianz Campus in Adlershof for just over 300 m €. But there were also quite a few other office deals in the three-figure million-euro range.

The segment of sales above 100 m € was responsible for well over half of all investment. In addition to the Allianz Campus, this category also included the sale of the Rocket Tower on Charlottenstrasse, the former Vattenfall headquarters in Puschkinallee, Treptow, and the current Vattenfall headquarters on Chausseestrasse. The 25-50 m € bracket also attracted relatively substantial amounts of capital, giving it a share of 19 %. A further 13 % went into the next-lower category, between 10 m € and 25 m €, which was also the size class with the biggest number of sales. The 50-100 m € segment accounted for just under 10 %, deals of up to 10 m € for around 4 %.

Due to the large number of substantial office transactions, these accounted for an extremely high share in the asset-class spread of investment, with around two-thirds of the total. In the past, this type of asset rarely exceeded the 50 % mark. Well behind in second place came retail properties, with about 12 %. The biggest decline was that registered by hotels: admittedly, this segment once again attracted extensive investment (over 200 m €; 8 % of the total), but this was still 60 % down on the prior-year level. However, it should be noted that the 2016 figure was boosted significantly by the Berlin hotels included in the sale of the Interhotel portfolio; it would otherwise have been far lower. A further 3 % of all investment was generated by logistics complexes.
Investments according to location in Berlin H1 in %

- Topcity: 6.1% in 2017, 26.6% in 2016
- City Centre: 41.4% in 2017, 37.1% in 2016
- Centre Fringe: 11.8% in 2017, 20.6% in 2016
- Subcentres: 24.5% in 2017, 31.9% in 2016

**TOPCITY TURNOVER ONLY LOW SO FAR**

As in the previous year, City Centre locations headed the geographical turnover ranking, with more than 41%. In second place this year, though, came the subcentres, accounting for just under one third of the total. For this geographical category that is an extraordinarily high proportion; it reflects the sales of the Allianz Campus in Adlershof and the former Vattenfall headquarters on Puschkinallee. The Centre Fringe generated a further fifth of the total, while the Topcity, with 6%, is under-represented by long-term standards, not only in relative terms but also in terms of absolute volume.

**VERY BROAD SPECTRUM OF INVESTOR INTEREST**

On the demand side, first place has been taken by investment managers – which act on behalf of various fund constructions, insurance companies or pension funds; they accounted for just over one quarter of all the capital invested in Berlin. Together with pension funds, special-purpose funds and equity/real estate funds, they make up the leading quartet which was responsible for around two-thirds of the overall result. As in the past, foreign investors were particularly active in the Berlin market and once again generated more than half of aggregate turnover, with approx. 57%. That not only exceeds the nationwide level (46%), but also represents one of the highest proportions in any of the Big Six cities.

**YIELDS APPRECIABLY DOWN YEAR-ON-YEAR**

Berlin’s popularity with investors and the tightness on the supply side are mirrored by the development of yields: in no other location have they dropped more sharply. A significant increase in prices was particularly noticeable in the case of office buildings, where the net prime yield at the mid-year point was 3.10% (~60 basis points). Among other things, this reflects expectations of rising rents due to the excess demand on the office rental markets. Yields in the other asset classes have also continued to fall. The prime yield for retail properties in premium locations eased by 30 basis points to 3.30% - and can in exceptional cases go even lower. In the logistics segment, the yield dropped by all of 45 basis points to 4.95%.

**OUTLOOK**

After the very good half-year results, the Berlin investment market is poised to achieve a very strong second half as well. Together with the bright economic climate, the number of deals close to conclusion or in the pipeline (some involving sizeable assets) raise hopes of a further lively half-year and a robust year-end spurt. From today’s perspective, all the signs suggest that the prior-year total of just over 5.4 bn € can be topped by a considerable margin. It remains to be seen, however, just how well the volume will be able to match the previous record of 2015 (8.3 bn €).