Following an exceptionally dynamic start to 2017, with a new first-quarter record transaction volume of 395 m €, the mid-year point produced another all-time high for Leipzig: investment in commercial property in the first six months totalled around 610 m €. That represented a year-on-year increase of nearly 22 % and exceeded the long-term average by all of about 68 %. It is gratifying to note that Leipzig’s significance on the investment front has been growing steadily in recent years. Since 2015, the half-year results have regularly been upwards of half a billion euros, which is a comparatively high figure for a B-location. The number of transactions has also been rising, and in the first six months of this year, sales across all asset classes came to almost 40. Far and away the biggest proportion of these – about 94 % in fact – was generated by single deals.

The distribution of investment in terms of size classes was shaped by two major deals in the range upwards of 100 m €, with the result that this category was responsible for more than half of the total. The contribution made by the 10-25 m € bracket fell by around 11 percentage points compared with the prior-year period but was nevertheless enough to gain second place, with slightly over 20 %. Sales of between 25 and 50 m € stepped up their share of aggregate turnover by nearly 11 percentage points to register about 16 %. As customary in this city, the largest number of individual transactions – more than 20 in fact – was posted by the category of sales up to 10 m €, giving it a share of 14 %.

Retail properties accounted for more than half of all investment, with a slice of over 59 %. Notable in this connection was the sale of the Nova Eventis shopping centre in Güntersdorf to Ares Management and Baupost Group in one of the largest-ever deals in this market area. Way behind came office buildings, with just over 15 %, and hotels, with just under 11 %. For both these asset classes, that represented a year-on-year decline in relative share. Logistics complexes, on the other hand, posted a slight increase, securing just over 7 %. The category of other types of real estate also contributed about 7 %, consisting chiefly of development sites.
PERIPHERY HEADS THE GEOGRAPHICAL SPREAD

An analysis of the distribution of the invested capital across the various geographical categories reveals a distinct year-on-year shift, due to the Nova Eventis deal, in favour of the periphery. It accounted for the biggest proportion, with around 43%. In the City Centre, the Karstadt department store building and the Motel One by the Nikolaikirche both changed hands, giving this location a share of almost 28% of the overall result. The sharpest decline compared with the prior-year period, nearly 34%, was registered by the Centre Fringe (share: 21%). The change posted by the sub-centres was less marked, with a decline of just over 3 percentage points to 9%.

FOREIGN INVESTORS EXHIBIT GROWING INTEREST

In view of the Nova Eventis deal it is hardly surprising that equity/real estate funds formed the most important buyer category in the Leipzig market in the first half, accounting for more than 52%. The contribution by the next class of investors, listed real estate companies/REITs, was much lower, with slightly over 16%. All the other groupings generated only single-digit shares. The figures were: family offices just over 7%, corporates just under 5%, and special-purpose funds, property firms and property developers just under 4% each. Leipzig remains highly popular with foreign investors; these accounted for close to 58% of all the capital deployed.

YIELDS EASE FURTHER

In Leipzig, too, there is fierce competition for first-class objects, with the result that in the past 12 months prime yields in all asset classes have continued to ease. A modest decline of 10 basis points to 4.90% was posted by office buildings, which remain in favour with investors. Yields for retail/office properties also fell by 10 basis points, to 4.40%. The most marked drop was that registered by logistics complexes, where the net prime yield slipped by 40 basis points to 5.50%. Despite all this, yields in Leipzig are still higher than in the Big Six locations, and thus continue to make this city a very rewarding place to invest.

OUTLOOK

In the second half of the year, the positive mood in the Leipzig investment market is set to continue. Backing this forecast are the bright economic climate and the favourable financing terms. There is also the fact that many investors regard Germany as a safe haven and consider Leipzig to have great potential for development. So the indications in this trade-fair city are positive, and open the possibility of passing the investment record of 1.16 bn € set in 2015. One prerequisite for this, though, will be an adequate supply of assets.