RETAIL INVESTMENT MARKET GERMANY

At a Glance Q2 2017

RESEARCH

RETAIL INVESTMENT ENJOYS VERY GOOD FIRST HALF

Just like other asset classes, retail properties have been benefiting from the very dynamic investment markets. They posted a first-half transaction volume of 5.57 bn €, thus exceeding the prior-year figure by almost 36 %. In fact, it was the third-best result of the past ten years and bettered the long-term average by around 17 %. It is gratifying to note that the year-on-year surge in the market was broadly based. This was especially evident in the portfolio segment, where turnover almost doubled, to reach 2.4 bn €. In the single-deal field, the increase, of 10 %, was admittedly somewhat more moderate, but it still produced one of the leading results of recent years. Accounting for 41 % of the total, the proportion of major deals in the triple-digit million-euro range also rose, but by long-term standards it was not at any exceptional level. Accordingly, the investment volume expanded appreciably in absolute terms in almost all the size classes.

CONTRARY TREND IN THE BIG SIX LOCATIONS

In the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich), the situation was rather different. Here, the volume of transactions in retail properties – at 1.09 bn € – was nearly 12 % down on last year’s total. However, this was not due to any decline in investor interest but quite definitely to a shortage of supply, especially where large-unit properties were concerned. This led to widely differing developments in the individual cities. Close together at the head of the ranking were Munich, with turnover of 357 m € (-14 %), and Berlin, with 340 m € (+17 %). Cologne actually multiplied its 2016 total several times to gain third place with 189 m €. In Hamburg, turnover fell by almost two-thirds to 132 m €. Two cities have up to now reported only very low investment: Frankfurt (42 m €) and Düsseldorf (27 m €).

SPECIALISED STORES/SUPERMARKETS WELL REPRESENTED

The biggest slice of turnover so far has been generated by specialised discount stores/supermarkets, with more than 42 %. Favouiring investor interest in this field has been the strong support which private consumption has been giving to the positive economic development. In second place, with around 31 %, come downtown retail/office properties, which are also in demand in B-locations and smaller towns. Shopping centres have stepped up their share of investment slightly, to just over 23 %. In contrast, the contribution made by department and general stores, at 4 %, has been just minor up to now.
FURTHER SLIGHT FALL IN PRIME YIELDS

The prime yields for retail/office properties in the busiest downtown shopping streets – the assets that particularly interest investors – have eased further, falling by around 15 basis points in the Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) to give a current average of 3.46%. Since prices in this market segment have been very high for some considerable time now, the yield fall was somewhat lower than in other asset classes. Especially in this segment, though, buyers are occasionally prepared to accept even higher prices in the case of absolutely premium objects.

FOUR BUYER GROUPINGS WITH DOUBLE-DIGIT SHARES

The buyer ranking was headed by investment/asset managers, which generated just over 22% of turnover. Very close behind came special-purpose funds, which contributed just under 21% after extensive purchases in all the retail submarkets. Third place was shared by pension funds and equity/real estate funds, which were each responsible for just slightly more than 12% of the transaction volume. So together, these four categories deployed over two-thirds of all the capital invested in this market. Other sizeable contributions were made by property developers (nearly 7%), and listed real estate companies/REITs and family offices (each: just over 4%). This means that overall, investment came from a relatively broad range of different types of market participants.

OUTLOOK

The macroeconomic framework for retail investments, including the development of the labour market and of private consumption, is favourable. This suggests that a varied range of investors will continue to show strong interest in purchasing properties. In view of this, one key factor determining the whole-year result is whether supply will be sufficient to meet the evident scale of demand. Given the rise in prices, additional assets could well be made available to the market. Against this backdrop, it currently seems likely that total turnover in 2017 will at least match last year’s figure and probably actually exceed it.