THE STORY GOES ON: INVESTMENT VOLUME TOPS 39 BN €

Nationwide investment in commercial properties totalled 39.5 bn € in the first three quarters. The rally which was witnessed in the first half of the year has thus continued in dynamic form, surpassing last year’s already exceptional result once again by almost 20 %. At the same time, the second-best result of all time has been achieved. Retail properties accounted for 71 % of the volume, with a result of 28 bn € not only marking the highest level of investment in the first three quarters of any year, but also exceeding by far the total for the entire year in 2007, for example. Package deals show a rise of 26 % compared to 2016. With a transaction volume in the order of 11.5 bn € they contribute 29 % to the total volume. Investor interest remains very high and above all stable. This is underscored by a similar level of investment reported in all three quarters of the current year. It is also notable that all market segments are benefiting from the dynamic market activity – an indication of how positively investors judge the stability of the German economy as a whole.

BIG SIX CITIES ALSO BENEFITING

The major locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich) have made a substantial contribution to the overall result, their total of 19.58 bn € representing a 22 % rise on last year’s figure. All cities improved their results with the exception of Hamburg, which reported a 30 % drop to 2.17 bn €. Berlin leads the rankings, its volume of 5.99 bn € (+61 %) marking a new record. Second place continues to be hotly contested. Munich has currently reclaimed this position with 4.04 bn € (+26 %), pushing Frankfurt down into third place on 3.81 bn € (+19 %). Düsseldorf has almost topped the 2 billion euro mark, on 1.94 bn € (+28 %). An exceptionally good result was also reported in Cologne, with 1.63 bn € (+22 %) marking a new all-time high.

OFFICES STILL INVESTORS’ DARLINGS

Offices lead the field once again, with a 42.5 % share (16.80 bn €). This figure has only ever been bettered in 2007, when various large portfolios were involved. Retail properties follow up in second place with just under 22 % (8.52 bn €) and a stable transaction volume in comparison to last year. Logistics properties have set a new record, their share of the total volume amounting to around 17 % (6.67 bn €). This represents a more than two-fold increase over the previous best ever result from 2014. Hotel investments also continue to notch up one record after the other, taking fourth place on just under 8 % (3.07 bn €).
BROAD SPECTRUM OF BUYERS

The investment volume is spread over a large number of different investor categories. Only three types of investors achieve shares in double percentage figures. Special-purpose funds take the lead, with a share of just under 18%. Investment managers follow up close behind, on almost 16%. Third place goes to equity/real estate funds, which contribute around 11% to the overall result.

SLIGHT RISE IN SHARE OF FOREIGN INVESTORS

The share of foreign investors stands at around 47% to date, which represents a slight increase on the figure for the corresponding period last year. In the area of portfolio transactions they contribute almost two thirds to the overall investment volume, while their share of individual deals totals around 39%. European investors were again the most active, their contribution of 22% to the overall result placing them well ahead of North American investors, who accounted for a good 12%. The share of Asian investors has risen substantially, making up more than 9% of the total volume.

YIELD COMPRESSION CONTINUES

The price trends also show how high the level of investor interest continues to be. The top yields for office properties have fallen once again in all major cities. The average drop over all the Big Six locations in the third quarter stood at 16 basis points. The German capital continues to show the lowest rate, at 3.00%, followed by Munich on 3.10%. Hamburg and Frankfurt share third place on 3.20%. Frankfurt has witnessed a particularly marked increase in prices once again. The fact that the demand for space in Frankfurt is likely to benefit from Brexit on a large scale makes investments in the Frankfurt office market an even more interesting proposition. The top yield has also slipped further in Düsseldorf and Cologne, and currently stands at 3.70%.

OUTLOOK

The rally will continue in the fourth quarter. A whole series of major transactions, relating to both individual and package sales, are already in the final stages of negotiation. In view of the fact that the economy as a whole and the labour market are continuing to develop along positive lines – the forecasts for GDP growth have just been revised upwards once again – market activity is set to remain very lively beyond the end of the year. Germany continues to be the preferred investment location in Europe. Competition thus remains keen, indicating that the yield rate could drop below the 3% threshold. For the year as a whole, we expect an investment volume of between 55 and 60 bn €. The record from 2007 may even be topped.