At a Glance Q4 2017

RESIDENTIAL INVESTMENT MARKET GERMANY

HIGH TRANSACTION VOLUME AGAIN

The transaction volume with larger residential portfolios (from 30 residential units) totalled around 14 bn € in 2017 and therefore exceeded the previous year’s result by 4 %. At the same time this is the third-best result in the past decade. Especially pleasing is the fact that this is not down to a few major transactions, but is based on a large number of sales. In total almost 360 deals were registered — this is the highest number in the last 10 years, whereby around 114,000 residential units changed owner. The average volume per sale was at around 40 m € not only well below the long-term average, but was at the same time also the lowest since 2011. The biggest transaction in the market remains the Helvetica portfolio, which Deutsche Wohnen acquired at the start of the year for 655 m €. All other sales were below 500 m €. Across all homes sold, on average almost 123,000 € per residential unit or a tidy 1,900 € per m² was achieved. Purchase prices across all market segments have therefore once again risen significantly compared to the previous year.

PROJECTS CONTINUE TO GROW IN IMPORTANCE

A major reason for the increase in the average price per square metre is the continued growth in importance of project developments. After portfolios of existing properties, which still account for the lion’s share of the volume with almost 48 %, newbuild developments occupy second place with 29 %. Compared to the previous year their share has increased significantly: In total almost 4.1 bn € was invested in this property type, 44 % more than in the previous year. No other asset class has seen a similar increase. Older existing properties account for around 16 % of the result and special types such as student apartments account for a further 7 %.

HIGH VOLUMES IN ALL SIZE CLASSES

As in the previous year, the volume is spread evenly across the different size classes, whereby the smaller and mid-size classes up to 100 m € gained slightly. The volume of properties over 100 m € was down 10 % due to the lower supply, but this category still accounts for the biggest share with around 42 %. Around the same amount was invested in the classes 25-50 m € (21 %) and 50-100 m € (20 %). The remaining 17 % was generated with smaller transactions up to 25 m €.
SPECIAL-PURPOSE FUNDS STILL NUMBER 1

The buyer side is still dominated by special-purpose funds, which in terms of both volume and the number of sales accounted for almost one third of the result. The asset class in which they invested by far the most was project developments; in this asset class their share was 44%. Second place was again taken by listed real estate companies/REITs with around 22%. Around three quarters of their investments were made in portfolios of existing properties, making them the dominant demand group in this category. Other buyer groups with double-digit shares were investment/asset managers and property firms with around 11% and 10% respectively. All other buyer groups had a low to moderate share, but together still contributed a significant 27% to the result.

MARKET IS DOMINATED BY GERMAN INVESTORS AGAIN

While the residential investment market was shaped by foreign investors up until 2008, the buyer landscape has since been dominated by German investors. With around 80%, they again accounted for a very high share in 2017. European buyers also contributed a significant share of almost 12% and a large number of transactions. North American investors came into the picture in particular in the final quarter with larger portfolios, contributing 5% to the result and claiming the position of the third-biggest region of origin with just a few transactions. In addition, Middle East investors invested almost 450 m € (3%) in German residential properties.

RESIDENTIAL INVESTMENTS IN BERLIN MOST POPULAR

With around 6.3 bn € (45%), the metropolises Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich again accounted for a major share of residential investments. In particular Berlin made a major contribution to the result again, accounting for more than two thirds of the take up in the Big Six (4.4 bn €). There was also significant investment in Hamburg (more than 700 m €) and Düsseldorf (almost 500 m €). However, due to the supply situation, the volume fell in Frankfurt, Munich and Cologne.

OUTLOOK FOR 2018 GOOD

Against the background of increasing numbers of households in the metropolises and in many other cities, residential investments offer not only the prospect of being stable investments, but also potential rent increases. For many investors they are therefore not only a secure, but also a long-term investment. In 2018 residential investments will again be one of the most popular asset classes for many investors. Due to the limited supply, project developments and forward deals will continue to grow in importance.