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BNP PARIBAS REAL ESTATE
The journey continues: 58.2 bn € investment turnover

As expected, the transaction volume increased again in 2017 and fell short of the 2007 record by around just 2 %. At more than 58 bn €, it is the second-best result ever recorded. The almost 38.86 bn € that flowed into single properties represents a new record. But package sales also increased by 11 % to a little over 19.36 bn €.

Office properties again clearly out in front

▸ The dynamic market activity is seen across all asset classes, which impressively underscores the great confidence in Germany.

▸ With a share of just over 41 %, office properties again occupy top spot. In particular, the record take-up on the user markets combined with further falls in supply open up potential for rent increases in the years ahead and make this asset class even more interesting.

▸ At 13.81 bn €, retail properties achieve their third-best result.

▸ A new high – thanks to several large portfolio transactions – was set by logistics complexes (9.18 bn €).

▸ With almost 4.19 bn €, hotel sales also exceed 4 bn € for the third year in a row.

Almost half attributable to major deals

▸ The exceptional investment turnover is not least the result of a very dynamic development in the over 100 m € segment. At a good 48 %, by far the biggest share is attributable to this segment.

▸ With foreign investors accounting for a high share of 48 %, they achieve one of the best results in recent years.

▸ Investment in the A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart) totalled 30.94 bn € (+5 %). Berlin took first place with 7.92 bn €.

Further rise in prices

▸ Competition among investors intensified further in the office segment, which is reflected in lower yields, among other things. On average, net prime yields in the major cities have fallen by 37 basis points.

▸ The net prime yields for retail/office buildings have fallen by an average of 42 basis points to a current 3.07 %.

▸ In the logistics segment, as well, the yield compression continued unchanged.
The transactions covered by BNP Paribas Real Estate in this survey and the resultant total transaction volume do not represent the entire commercial investment market. The survey takes into account only those investments on which BNP Paribas Real Estate has assured information and which involve “professional players”, in the widest sense of this term. Since the investment market is highly sensitive, with deals often being kept confidential, the possibility cannot be excluded that some transactions were not revealed and are therefore not included in this survey. In view of all this, the transaction volumes depicted here generally deviate from those shown in the data of the relevant officially appointed expert committees. The differences vary between individual cities. There are several reasons for this:

▸ The committees differ widely in the way they assign transactions to market segments and also in the depth of their analyses. Some operate only with catch-all terms such as “commercial property”, others go into far more detail. In individual cases, the surveys are of a quite general nature.

▸ The data compiled by these committees cover all transactions. These include “internal transactions”, for instance between companies belonging to the same business group. And these surveys also contain many small deals between private persons, such as people with adjacent sites.

▸ Even the use of professional research methods cannot prevent the proportion of transactions surveyed by BNP Paribas Real Estate from varying between cities or between one year and the next. Whether or not the necessary information is available always depends on the market players involved and on the wider general situation. Often, confidentiality is a contractual condition for a sale.
THE JOURNEY CONTINUES: 58.2 BN € INVESTMENT TURNOVER

As expected, the transaction volume increased again in 2017 and fell short of the 2007 record by around just 2%. At more than 58 bn €, it is the second-best result ever recorded, meaning that the strong interest in German real estate remains unchanged. Buyers were unfazed by potential global crises and the fact that a government has still not been formed in Germany. By contrast, the very good fundamental data is, above all, the deciding factor for investors. Whether it is the stable economic growth, rising employment figures coupled with falling unemployment, the still pleasing consumer spending or overnight-stay figures that continue to experience an upturn, all of these developments are being felt on the user markets, where exceptional results are also being achieved, and thereby form the framework for investments that are successful in the long term. Although German buyers remain just ahead in first place, with a share of 52%, foreign investors were able to increase their contribution significantly to a current 48%.

The almost 38.86 bn € that flowed into single properties represents a new record and is a good 7% up on the previous record high from 2015. This involves around 1,700 recorded transactions. Large-unit office properties, in particular, have made an especially strong contribution to this result, with 36 sales registered in the over 100 m € segment alone. Frankfurt, in particular, caught the eye of investors and registered a whole host of major deals, including Tower 185, the Japan Center and Grand Central Frankfurt, among others. Package sales also increased by 11% to a little over 19.36 bn €. Investments here were made in logistics and retail portfolios, in particular, which each generated more than 6 bn €. Large portfolios have rarely generated so much turnover, for which not least three package sales each for more than a billion euros are responsible. More than 130 sales in total have been included in the analysis.

Alongside investment in commercial property, sizeable stocks of residential units also produced turnover of 14 bn €.

OFFICE PROPERTIES AGAIN CLEARLY OUT IN FRONT

Above all, it is pleasing that the dynamic market activity can be seen across all asset classes, which impressively underscores the great confidence in Germany as a whole. With a share of just over 41% (23.94 bn €) in total turnover, office properties again occupied top spot among asset classes, as expected. In particular, the record take-up on the office markets combined with further falls in supply open up noticeable potential for rent increases in the years ahead and make this asset class currently even more interesting than it already was. At more than 20.19 bn €, more was also invested in single office buildings than ever before, while portfolios, on the other hand, saw considerably less investment than in the two previous years, which is primarily due to the inadequate supply.

OVERVIEW OF THE INVESTMENT MARKETS

<table>
<thead>
<tr>
<th>Investment volume</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 (million €)</td>
<td>2017 (million €)</td>
</tr>
<tr>
<td>Single investments</td>
<td>35,075</td>
</tr>
<tr>
<td>- Share of A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)</td>
<td>22,652</td>
</tr>
<tr>
<td>Portfolios</td>
<td>17,508</td>
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<tr>
<td>- Share of A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)</td>
<td>6,904</td>
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<tr>
<td>Commercial properties total</td>
<td>52,583</td>
</tr>
<tr>
<td>Residential portfolios</td>
<td>13,526</td>
</tr>
<tr>
<td>Investment volume total</td>
<td>66,109</td>
</tr>
</tbody>
</table>

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As was the case in the previous years, a large number of different buyer groups was again active on the German investment market in 2017. The reason behind this is the fact that the very good conditions at present, which, in particular, include the good fundamental economic data alongside the financing environment, make investments in Germany very attractive. The economic upturn is driving the user markets and thereby creating potential for rent increases, which investors want to participate in. There are opportunities here for investors with very different investment and risk profiles, thanks to the wide range of possible investments. Altogether, only three types of buyers account for double-digit shares in turnover. Special-purpose funds are in front with a share of just over 16 %, followed by investment managers, who contribute some 14 %. Equity / real estate funds also make it onto the podium by accounting for almost 11 % of turnover. Listed real estate companies / REITs (8 %), property developers and pension funds (nearly 8 % each) as well as insurances and property firms, who each contribute a little under 6 % to transaction volume, also made larger-scale investments.

Following in second place with an increase of 7 % are retail properties, which contribute 13.81 bn € (almost 24 %) to investment volume, thereby achieving their third-best result. Discount stores and supermarkets (6.29 bn €) were particularly in demand, as were inner-city retail / office buildings (4 bn €).

A new high was set by logistics complexes, whose contribution comes to some 16 % (9.18 bn €). The previous best result from 2015 was nearly doubled. This is attributable to several major portfolio transactions, such as the sale of the Blackstone logistics platform LogiCor, the purchase of the German Hansteen portfolio by a joint venture comprising Blackstone and M7, and the acquisition of Geneba Properties by Frasers Centrepoint (FCL) from Singapore. Strong buyer interest is reflected, on the one hand, in the good take-up rates, but also in the increased attractiveness that foreign investors, in particular, attach to this asset class based on their experiences on other international markets.

With almost 4.19 bn € (a good 7 %), hotel sales also exceed 4 bn € for the third year in a row, to once again achieve an exceptional good result that is an impressive 84 % above the ten-year average. Hotel investments have thereby firmly established themselves at the new level that they first exceeded in 2014 when they climbed above 3 bn €.
ALMOST HALF ATTRIBUTABLE TO MAJOR DEALS

The exceptionally good investment turnover is not least the result of a very dynamic development in the large-unit market segment. At a good 48%, by far the biggest share of the result is, accordingly, attributable to sales in the over 100 m € segment. Pleasingly, a relatively balanced picture can be seen in the remaining size classes, which speaks for the overall broad basis of demand. The three categories involving deals of between 10 m € and 100 m € all achieve shares in turnover of between 12% and 19%, and even smaller transactions of up to 10 m € still contribute almost 6%.

FOREIGN INVESTORS WITH CONSIDERABLE GROWTH

The attractiveness of the German property market is also clearly reflected in the high level of foreign investors’ participation in the market. With a share of 48% in investment volume, they achieve one of the best results in recent years and have grown by five percentage points compared with the previous year. As has been the case in the past, foreign investors have participated to a particularly notable extent in the portfolio segment, where they were able to occupy a position that was clearly ahead of their German counterparts. In line with expectations, European investors again contributed the largest share of turnover, with 21%, thereby impressively confirming their leading role of recent years. Competition for the following places is exciting, however: with a share of 11%, North American investors were able to defend their second place, just a hair’s breadth in front of Asian buyers, who are...
OVERVIEW AND MARKET DATA OF THE A-LOCATIONS

Investment in the major cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart) totalled 30.94 bn €, equivalent to an increase of 5 %. Berlin took first place with 7.92 bn € (+46 %), and in doing so achieved the second-best result after 2015. Frankfurt follows in second place with 7.50 bn € and growth of 12 %, which represents the largest turnover of the past decade. The leading trio is completed by Munich, with 5.20 bn € (-18 %). The Hamburg market is characterised by a lack of supply, with the result that the volume dropped by around a quarter to 3.56 bn €, meaning that the city only just ranks ahead of Düsseldorf with 3.23 bn € (+38 %), where a new record high was achieved again. At 2.12 bn € (+12 %), Cologne was able to surpass 2 bn € for the second time since 2015 and only fell short of the previous record by the smallest of margins. Stuttgart had to contend with the biggest fall in turnover due to the inadequate supply, meaning that just around 1.41 bn € were recorded (-32 %).

INVESTMENTS BY ORIGIN OF CAPITAL

Investors from North America and Asia are responsible for 10 % of the result. Viewed in absolute terms, the latter more than quadrupled their turnover as against the previous year and set a new record, which is more than double their previous high from 2015. The situation is similar among investors from the Middle East, who make up 4 % of the result and who were also able to almost double their previous record from 2015.

DEVELOPMENT OF INVESTMENTS IN THE A-LOCATIONS

Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart
The still favourable financing environment, combined with the strong user markets, did not just continue to maintain investor interest, but also meant that yields dropped once again in the past year. Developments are as follows:

Competition among investors intensified further in the office segment due to greater demand, which is reflected in lower yields, among other things. On average, net prime yields in the major cities have fallen by 37 basis points and are now quoted at 3.24 %. Most expensive at 2.90 % is Berlin, followed by Munich, at 3.0 %. Together on third place are Frankfurt and Hamburg, each with 3.15 %. Stuttgart ranks mid-table with 3.40 %. But yields have again dropped considerably in Düsseldorf (3.50 %) and Cologne (3.55 %) as well.

The net prime yields for retail/office buildings in the Inner City locations have fallen by an average of 42 basis points to a current 3.07 %. In Berlin and Munich, which both lead with 2.90 %, they have dropped below 3 %. Close behind are Hamburg, with 3.00 %, and Frankfurt, with 3.10 %. But the prime yields have also fallen again in Stuttgart, Düsseldorf and Cologne and are currently 3.20 %. The same tendency could also be seen in other market segments, albeit not to the same extent. The prime yields for shopping centres remained stable and continue to be quoted at 4.00 %, whereas a decline to 4.60 % was seen for the highly sought-after specialist retail centres. They have decreased again slightly to 5.40 % for individual discount stores. In the logistics segment, as well, the yield compression that has been witnessed for a long time now continued unchanged.
On average among the locations included, net prime yields have fallen by 61 basis points over the past twelve months. In each of the metropolitan areas of Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart, the prime yields are 4.50% and thereby at the lowest level ever.

OUTLOOK FOR THE INVESTMENT MARKETS

From today’s perspective, all of the signs for 2018 point to another very strong year for investments. Several institutes have again raised their GDP forecasts for Germany and the global economy also remains on track. Germany is expected to benefit additionally from this, meaning that the positive developments on the user markets are also likely to continue. This means that the cornerstones for secure and stable investments remain in place. As the ECB, according to its own announcement, does not yet intend to raise the base rate in 2018, no major disruption is to be expected on the financing side either. Although the current, slight increase in yields is making investments in secure government bonds somewhat more attractive again, the yield gap is still so big that there are no signs of a considerable shift away from real estate. Global crises and their potential effects remain unpredictable, however. Taking all foreseeable macroeconomic forecasts into account, an above-average transaction volume is also to be expected for 2018, which is again likely to be considerably above 50 bn €. An inadequate supply may have a slightly limiting effect. This is offset, however, by increasing construction activity, particularly in the office segment, which will give rise to new investment opportunities. As there are no indications of investor interest waning, the possibility of yields contracting further in some cases cannot be completely ruled out. This primarily applies to the core-plus and value-added segments, as investors here see opportunities in connection with the strong demand on the user markets.
With a transaction volume of 7.92 bn €, the capital again achieved an extraordinary result and was number one among all of the major German cities. 2017 was a year of dynamic growth with an increase in turnover of almost 46% compared to 2016, no other location recorded a similar level of growth. The figure was just 4% short of the record set in 2015. Investors continue to show great confidence in Berlin and are very positive about the future development and rent increase potential. If you take a look at the user markets in which take-up has reached new heights in recent years, this assessment is certainly justified. This statement is also underlined by the fact that the biggest single deal of the year was realised in the capital with the Sony Center, which was sold for just over 1.1 bn €.

As in the previous year, all size classes participated extensively in the market activities. However, smaller transactions for less than 25 m € fell and together contributed 12.5% to the overall turnover. In the previous year their relative share was twice this figure. All other categories have increased significantly in absolute terms. This concerns in particular big deals over 100 m €, which were the outright number one in the rankings with a share of 56%. A total of 16 sales were registered in this market segment. In addition to the Sony Center, the sales of the Upper West, the Axel Springer headquarters, the Axel-Springer-Passage, the Rocket Tower and the former and current Vattenfall headquarters need to be mentioned.

The highest share of turnover is recorded by pension funds with 21%, with a few major transactions contributing significantly to this. They are followed by special-purpose funds (14.5%), investment managers (just over 13%) and equity/real estate funds (just under 13%), which have relatively close shares. Property firms and sovereign funds also invested in absolute terms well over 600 m € in the capital city. What is particularly noticeable is the very high share of foreign buyers with a good 66%, their highest share since 2008. This too can be seen as an indication of the potential of the Berlin market, which is now also being acknowledged internationally.
**RELATIVELY BROAD SELLER STRUCTURE**

On the seller side there is a very broad distribution, which is not surprising in view of the fact that the market structure is very favourable for them. Five groups have a double-digit share in turnover. They are led by equity/real estate funds, which contribute just under 20 % to the sales volume. Second place is taken by pension funds (15 %), which are just ahead of corporates with 14 %. Investment managers (13 %) and property developers (12 %) also contribute at a similar level. Foreign sellers are responsible overall for around half of the volume.

**OFFICES THE UNDISPUTED NUMBER ONE**

For many years office investments had a low share among usage categories in Berlin compared to other German locations, but they are now the clear number one in the capital. Besides a gradual increase in the supply of modern, well-let properties, in particular the very dynamic increase in take-up in recent years, which suggests there is potential for a further increase in rent in the future, is responsible for this. With a share of 64 % in the transaction volume, office properties are therefore the outright number one among the asset classes and are 20 percentage points above their long-term average. The podium positions have also been taken by retail transactions with just under 13 % and hotel sales with 10 %. Development properties also contribute almost 4 %. The share of logistics properties has fallen to just over 2 %, although their volume has remained stable in absolute terms.

**CENTRAL LOCATIONS VERY SOUGHT AFTER**

The traditionally strong City locations again recorded the highest share of turnover, contributing just under 39 % to the overall result. The Topcity zones have recorded a significant increase, after having noticeably lost ground in 2016 due to a lack of supply. Their share is currently just over 27 %, with the sale of the Sony Center making a significant contribution to this. The Centre Fringe zones lost some ground with 14.5 %, while the Subcentres almost maintained the share they achieved in the previous year with just over 19 %. This also reveals that investors not only believe that there will be a positive development in the top locations, but also think that there will be significant development opportunities in the other zones.
TOP YIELD FOR OFFICES BELOW 3 %
The huge demand, particularly from foreign investors, has intensified the competition for the inadequate supply. It is therefore not surprising that yields have fallen further. The net prime yield for office properties has fallen below 3 % for the first time and is currently 2.90 %. With this, the capital is now the undisputed number one among the major investment locations in Germany. The at first glance very high purchase prices are put into perspective though when they are compared with the increase in rents. In 2017 alone the top rent increased by around 16 %, and the picture is similar for average rents. Prices for other types of property have also continued to rise. For example retail/office buildings in the best locations also achieved a net prime yield of 2.90 %, whereby higher rents can also be achieved here in special individual cases. Logistics properties recorded a similarly dynamic development, achieving a prime yield of 4.50 % due to the strong demand from investors.

BERLIN WILL CONTINUE TO ATTRACT INVESTORS IN 2018
The economic conditions, both in Germany and on a global level, will again provide a stable environment for office investments in 2018, which will be boosted by the foreseeable financing environment. Berlin will benefit especially from this due to its high development potential. In light of this, the signs for 2018 again point towards a very high investment turnover that will be significantly above the long-term average. Demand might be limited only by an inadequate supply. It therefore remains to be seen whether the transaction volume will again be in the region of 8 bn €. This will depend not least of all on whether a sufficient number of major deals can be realised. In particular in the Core-plus and Value-add segments a further slight reduction in yields cannot be ruled out as investors see opportunities here due to the strong demand in the user markets.
INVESTMENT MARKET CONTINUES TO FLY HIGH
The Cologne investment market put in a strong performance again in 2017 to achieve the second-best result of all time, at 2.1 bn €. The result exceeded 2 bn € for just the second time and only just fell short of 2015’s peak result by 3 %. The already very good result for the previous year was beaten by an impressive 12 %. The city thereby generates an above-average volume for the third time in a row and confirms its position as a popular investment location, with almost 80 registered transactions. The share of single deals is traditionally high here and comes to 84 %, as in 2016. An average of just under 28 m € per transaction was paid, which represents a new high. In particular when compared with the last two years, however, the influence of deals upwards of 100 m € is small. Rather, it is the broad base of contracts in the mid-range segments that supports the very good overall result.

PLENTY OF MOMENTUM AMONG MID-SIZED INVESTMENTS
Investment activity is very diverse and the size classes of between 10 m € and 100 m €, in particular, make up significant shares of the volume. The segment comprising 50 m € to 100 m € makes the largest contribution, which accounts for around a third of the result. Most transactions could be seen in the range of 10 m € to 25 m €, which generates a solid 23 % of the result and in doing so was able to more than double the volume compared with the previous year. The 25 m € to 50 m € range also increased in absolute terms and is responsible for a fifth of turnover. By contrast, the category upwards of 100 m €, which included the sale of the Deutsche Bank Campus in the final quarter, among others, achieved a notably smaller share, with a little under 18 %.

PROPERTY DEVELOPERS STORM AHEAD
For the first time, property developers lead the way among the buyer groups and achieve an absolute record with more than 600 m € (28 %) - more than two-thirds of this is attributable to the City Centre. Special-purpose funds also invested in Cologne and occupy second place, with almost 23 %. Investment and asset managers contribute a further 16 % to secure a place on the podium, as they did in the two years previously. All of the remaining buyer groups follow at a considerable distance and with values in the lower single-digit range. Overall, just under 29 % of investors come from abroad, which corresponds to the lowest figure among the A-locations.
BROAD RANGE OF SELLERS ACTIVE ON THE MARKET
A very diverse structure can be seen on the selling side, among which no less than five groups achieve double-digit shares and lie relatively closely together. Equity / real estate funds take the lead with almost 15 %, ahead of property developers with a good 14 %. The race for third position is won by listed real estate companies / REITs (12 %), who come in ahead of closed-end funds and corporates (each a little below 12 %). Four further groups follow, who also took advantage of the good situation on the market and each made sales for more than 100 m €. The share of foreign sellers has increased significantly compared to the previous year and now accounts for around 46 % of volume.

OFFICES OUT IN FRONT, BUT OTHER ASSETS ALSO STRONG
As usual, the Cologne investment market is led by office properties, which again represent the strongest property type with just over 38 %. Although their share is significantly down on the long-term average of 49 %, turnover of some 800 m € is a very good result. It is notable, however, that other types of use are equally well represented. Retail properties contribute nearly 27 % to the result and, along with investments in retail / office buildings, benefit in particular from discount stores and supermarkets, which achieve an exceptionally good result. Absolute record turnover is also generated by development sites (336 m €) and logistics complexes (272 m €), which can also both report shares in the double-digit range. Hotels also contribute a volume in excess of 100 m € for the fourth time in a row.

CITY CENTRE LOCATIONS IN FIRST PLACE
Investor interest in City Centre properties remains high and the strong investment volume of 920 m € speaks for itself: a 44 % share of turnover may be sufficient for the City Centre locations to take the top spot, however this is the lowest value of all time. This is because both the Subcentres and the Centre Fringe achieve record turnover well in excess of 500 m € each, thereby highlighting the positive development of the market as a whole. In addition, most deals were registered in the Subcentres, meaning that they take second place again for the first time since 2012 and push the Centre Fringe back into third place. The Periphery was also able to boost its volume considerably and achieve a share of 5 %.
**PRICES INCREASE FURTHER**

The strong demand is reflected accordingly in the prices, which have risen continually over recent years. As a result, net prime yields fell again considerably in every asset class. For office properties, they dropped by 30 basis points year on year to now reach just 3.55%. This is an absolute record value for Cologne, although it represents the highest figure within the A-locations. The decline among inner-city retail/office buildings in top locations was somewhat more pronounced (-40 basis points), with the yield now amounting to 3.20%. Logistics complexes recorded strong demand among both domestic and foreign investors and also increased significantly in price. The prime yield of 4.50% is thereby all of 60 basis points below the previous year’s figure.

**RENEWED STRONG DEMAND EXPECTED FOR 2018**

The Cologne investment market can look back on three very successful years, and the prospects for 2018 making a fourth year look very good. An economy that continues to be strong, both in Germany and in many other European countries, as well as the still favourable financing opportunities, form the basis for expectations of renewed strong, national and international demand on the German property market. Cologne is also likely to benefit from this, meaning that an investment volume that is well above the long-term average is possible for 2018. Whether this will again exceed 2 bn € remains to be seen and is not least dependent on whether major deals can be realised and if sufficient supply in the mid double-digit range comes onto the market again. A further slight fall in prime yields can also not be ruled out.
The Düsseldorf investment market boomed like never before in 2017: with a transaction volume of more than 3.2 bn €, it does not just leave the previous year’s result – which was exceeded by 38 % – looking weak, but also beats by a hair’s breadth the previous high from 2015 (+2 %). The record performance of single deals is even more impressive: while these never before reached 2 bn €, single deals accounted for an impressive 2.6 bn €, and a 79 % share of turnover, in 2017. With a little less than 130 registered deals altogether in Düsseldorf, it is therefore no surprise that never before have so many properties changed hands within a year. Portfolios included on a pro rata basis, which are equally strong in a long-term comparison with a turnover of 675 m €, also contributed to this.

The fact that deals below and in excess of 50 m € make an almost equal contribution to the unusually high overall result demonstrates the extremely dynamic development of the Düsseldorf market, from which all size classes are benefitting and achieving above-average turnover. No less than four categories gain a share of turnover of at least 20 %: Out in front were major deals upwards of 100 m €, which account for a good 26 %, not least thanks to the sale for 280 m € of part of the Vodafone Campus in Düsseldorf-Seestern. The categories of between 25 m € and 50 m € (almost 24 %), 50 m € and 100 m € (a good 22 %) and 10 m € and 25 m € (20 %) were also each responsible for more than a fifth of the total volume. With almost 50 assets sold, the smallest size class of up to 10 m € contributes a share of nearly 8 %.

The investor ranking is clearly led by investment/asset managers, who are responsible for the biggest deal of the year – the Vodafone Campus sale – as well as numerous further deals in the mid-range segment, and who contribute a good 29 % to turnover. Lagging notably behind are equity/real estate funds, special-purpose funds and property developers, who are in a neck-and-neck race with contributions of between 10 % and 12 % each. All other sectors, such as pension funds (almost 8 %), insurances (a good 7 %) and listed real estate companies/REITs (a good 5 %) contribute single-digit shares to the investment volume. Foreign investors, who secure a good 58 %, are significantly more in evidence than in 2016.
The structure of the seller groups has changed slightly compared with the previous year: equity / real estate funds came out on top with around 18%. They took advantage of the very good market situation to successfully sell on their properties. Following with almost 16% are property developers, who parted from the ‘New Office’ property development in Oberkassel, among other things. The leading trio is completed by investment / asset managers, who account for a good 13% of sales volume. The Top 5 also includes listed real estate companies / REITs (just under 10%) and sovereign funds (nearly 9%). With a contribution to turnover of a little less than 46%, foreign sellers are thereby less visible on the sellers’ than on the buyer side.

The unusually good overall result of the Düsseldorf market is driven, in particular, by the run on office investments: with 2.3 bn € invested in this asset class alone, the previous record from 2015 was beaten by almost 39% and a share of turnover of nearly 70% was achieved. Office properties account not just for by far the biggest, but also the most transactions here. A new record is also set by logistics investments, which benefit primarily from portfolio deals included on a pro rata basis, such as the properties from the Hansteen portfolio as well the Logicor logistics platform, among others, and which contribute a good 8%. By contrast, retail properties remained under-represented due to supply, and came to around 5%, as did hotel investments. Another 4% is attributable to development sites.

As was the case in the previous years, the bulk of investment volume is distributed across the more central locations. The Centre Fringe is the main contributor to this, which, with a good 42%, unsurprisingly takes the top spot. A particularly notable amount was invested here in offices: just over half of the total office investment volume is located in the Centre Fringe zones. Second place is occupied again by the City Centre, which saw its share fall to around 23%, but was able to increase turnover in absolute terms. A large amount was also invested in the Periphery areas, however, which benefit not least from the excellent result of logistics properties and contribute a good 18% to the result. The Subcentres also record a higher turnover than in the already very good previous year (just over 16%).
**RENEWED YIELD COMPRESSION**

How in demand Düsseldorf is among investors is shown by the fact that yields in all market segments have fallen further. The intensifying competition for a limited supply, coupled with the expectation of a further increase in rents, is reflected in the strong office segment, in particular. Prime net initial yields for premium office properties fell accordingly by 35 basis points over the past year to a current 3.50 %. The yield compression among top logistics properties and inner-city retail/office buildings is even more pronounced: while the yields for high-quality logistics assets have dropped by 60 basis points to 4.50 %, retail properties are quoted at 3.20 % and are thereby 40 basis points below the previous year’s value.

**PROSPECTS FOR 2018 REMAIN POSITIVE**

From today’s perspective, the signs that the upturn on the Düsseldorf investment market could continue are good. The large number of registered deals as well as the broad distribution of the transaction volume across the size classes speak for the particular stability of the market. This is also inspiring the confidence of foreign investors, who invested considerably more in Düsseldorf in 2017 than in the previous years and who also achieved a substantial volume across the country. Whether the result will again come close to 3 bn €, however, remains to be seen and largely depends on the available supply and on major deals. In view of the potential for rent increases, further slight declines in yields cannot be ruled out.
SECOND-BEST INVESTMENT TURNOVER OF ALL TIME

The Frankfurt investment market has really stepped up a gear. With a transaction volume of 7.5 bn €, the already very good result from the previous year was not just exceeded once again, by 12 %, but the second-best result of all time was achieved; only in 2007 was the volume higher, however this also included a greater proportion of portfolios. Only in relation to single deals was a new high set in 2017, at 6.29 bn €. The only German city that bettered Frankfurt’s result was Berlin. It was not least a whole host of large deals that also contributed to the good turnover, the majority of which were acquired by foreign buyers. This underscores the fact that the banking centre is the first port of call for large-volume investments in Germany, particularly for many international investors. A total of 15 transactions in the over 100 m € segment were recorded. Among the most significant of these are the sales of Tower 185, Grand Central Frankfurt, Japan Center and Eschborn Plaza.

SIGNIFICANT PARTICIPATION AMONG ALL SIZE CATEGORIES

The distribution of sales across the individual size classes is very similar to the previous year. At 45.5 %, large transactions starting at 100 m € do, indeed, contribute the most to the result, however many deals were also made in all of the other market segments as well, which is reflected in the renewed increase in the number of purchases. With the exception of the smallest class up to 10 m €, which recorded a slight fall in turnover, all of the other segments increased in absolute terms. Accordingly, investor interest is not just focused on spectacular premium properties, but on the entire market, which is expected to develop positively overall.

BROAD SPREAD ACROSS DIFFERENT INVESTORS

The broad basis of demand is underscored by the fact that six investor groups have each contributed more than 9 % to the result. Investment managers are out in front with a share of almost 21 %, followed by open-ended funds with 14 %. Property firms (a good 11 %) and equity/realt estate funds (around 10 %) also achieved double-digit shares in turnover. But special-purpose funds (almost 10 %) and listed real estate companies/REITs (a good 9 %) also participated significantly in market activity. At 50 %, the share of foreign investors is somewhat smaller than in the two previous years, which shows that many German buyer groups also attach great importance to Frankfurt.
VERY DIVERSE SELLER STRUCTURE
The seller side also shows a broad range of different investors, who are taking advantage of the favourable market situation to make sales. No concentration among particular groups of investors can be seen, however, which would indicate a strategic, cyclical behaviour. At a good 19 %, equity/real estate funds made the biggest contribution to sales volume, followed by pension funds, with almost 14 %. Virtually neck and neck in third place with almost 12 % each are property developers and closed-end funds. Around two-thirds of the volume sold by property developers is accounted for by office properties. Open-ended funds (11 %), investment managers (7 %) and listed real estate companies/REITs (6 %) also made bigger contributions. At 30 %, the proportion of foreign sellers is relatively small, as was also the case in the previous year.

OFFICES REMAIN THE DARLING OF INVESTORS
Frankfurt is the Mecca for office investments, and nothing about that changed in 2017. Around three-quarters of the transaction volume was invested in this asset class, which roughly corresponds to the long-term average. The fact that there are more large-unit properties in the banking centre than in most other German cities is partly responsible for this. This is why international investors, in particular, frequently use Frankfurt to enter the German market. But comprehensive investment was also made in the other asset classes, which speaks for the positive overall development of Frankfurt. Retail properties (a good 7 %) occupy second place, followed by hotels (6 %) and logistics complexes (a good 5 %). Development sites account for a share of almost 3 %. With the exception of hotels, which set a new record last year, every asset class was able to considerably boost its absolute volume.

THE CITY CENTRE IS WHERE THE ACTION IS
After the greatest proportion of investment had been made in the Subcentres in 2016, the City Centre regained its traditional top spot in 2017. Almost half of the transaction volume was generated here. Both the supply of large-volume sales properties as well as the strong demand for office space mean that the central locations continue to be particularly attractive for investors. The Subcentres, which account for a 30 % share of turnover, were nonetheless able to achieve a very good result again this year. At almost 11 %, the Periphery locations and, with a good 9 %, the Centre Fringe districts round off the spatial distribution of investment turnover.
PURCHASE PRICES FURTHER INCREASED

The strong demand is also reflected in the development of prices. Net prime yields in all asset classes have again dropped considerably in the past year. For office properties, they have fallen by 65 basis points to 3.15% at present. Frankfurt, together with Hamburg, thereby occupies third place in the ranking of the big German cities, behind Berlin and Munich. The prospect of increasing rents, in particular, has provided a significant boost in driving this development. But the prime yield for extremely well located inner-city retail/office buildings has also slipped by a further 50 basis points to 3.10%. A similar trend could be seen among logistics complexes, which are also experiencing very strong demand, particularly from foreign buyers. Yields here are now quoted at 4.50%, and are thereby 60 basis points lower than a year ago.

STRONG DEMAND ALSO FORESEEABLE FOR 2018

From today’s perspective, 2018 is also expected to be a very good investment year. There are several reasons that back up this assessment: On the one hand is renewed strong demand on the user markets, which is given additional impetus by the positive economic outlook, both in Germany as well as in Europe as a whole. On the other hand, Frankfurt is set to benefit from Brexit effects over the coming years, which will be seen in a further reduction in vacancies and therefore also in an increase in rents. Many investors wish to participate in this foreseeable development and will therefore focus more strongly on Frankfurt. This is why it is likely that a particularly strong volume of investment will be achieved again in 2018, not least because the supply of properties could expand slightly thanks to greater construction activity. In the core-plus and value-added segments, in particular, yields that continue to fall slightly cannot be ruled out, as opportunities in connection with the user markets will be seen here.
FALL IN INVESTMENT VOLUME
The Hamburg investment market was unable to continue the strong momentum of the previous years in 2017, recording a transaction volume of 3.56 bn €, which represents a decline of almost 25 % as against 2016. There is generally very strong demand in the city, but this is not reflected in renewed increases in investment volume for 2017, as is the case in most of the other major locations. There is a lack of corresponding supply in almost every segment, meaning that noticeably fewer properties were sold overall than in the previous years. Nevertheless, five properties in the over 100 m € segment changed owners, including the Alsterarkaden, the Kaufmannshaus and the Kaisergalerie, among others. Contrary to the overall trend, sales from portfolio transactions included on a pro rata basis increased to reach 38 %.

LARGE-VOLUME DEALS INCREASE
The distribution across size categories shows a very balanced picture overall. At 29 % and more than 1 bn €, the largest volume was invested in properties upwards of 100 m €. This is thereby the only segment able to boast a year-on-year increase in absolute terms as well. Almost 27 % is also attributable to deals of between 50 m € and 100 m €, meaning that more than half of the result was achieved with major transactions. Significantly less flowed into the remaining classes than was previously the case. Sales of between 25 m € and 50 m € contribute around 23 %, while almost 14 % is generated by properties of between 10 m € and 25 m €, and nearly 8 % is accounted for by transactions of up to 10 m €. The average volume per deal went up to 28 m € and is thereby at the highest level of the last ten years.

PROPERTY FIRMS SECURE A PLACE ON THE PODIUM
Property firms secure first place among investors, in particular thanks to the portfolio sale of RFR Holding to Sigma Prime Selection, with the Alsterarkaden and the Kaufmannshaus, which are located in Hamburg. With a little less than 17 %, they rank ahead of special-purpose funds, which had a considerable lead in 2016 and currently account for a good 16 % to the result. Lying closely together are pension funds and investment/asset managers, who account for almost 13 % and a good 12 % respectively. Property developers follow in fifth place, with just under 8 %. A noticeably low volume is attributable to private investors, who are merely responsible for almost 3 % and thereby remain well below their long-term average. The share of foreign investors rose to a little below 46 %.

INVESTMENTS FROM 2008 TO 2017 IN HAMBURG

INVESTMENTS BY € CATEGORY IN HAMBURG

INVESTMENTS BY BUYER GROUP IN HAMBURG

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SELLERS: EQUITY / REAL ESTATE FUNDS OUT IN FRONT
The sellers’ ranking is led by a clear margin by equity / real estate funds (almost 31 %) and property developers (around 22 %). Together, they are responsible for more than half of the entire investment volume. As in the previous years, property developers take advantage of the positive market environment and sell numerous properties shortly after or even before completion. Corporates (just under 11 %), private investors (almost 9 %), listed real estate companies / REITs (around 8 %) and pension funds (6.5 %) also account for notable shares. The share of foreign sellers comes to a good 41 % and has thereby increased significantly once again having fallen to just over a fifth in the previous year.

OFFICES TAKE TOP SPOT AGAIN DESPITE DECLINE
Office properties occupy their traditional first place in the distribution of investment volume. At almost 46 %, this marks a notable decline in 2017 and they no longer dominate the ranking to the significant extent that they did in the previous year, when they achieved the second-highest volume ever registered, with more than 60 %. By contrast, more capital was invested than in 2016 in the following three property types. Retail properties retain second place with around 25 %, while hotels again record a very good result and are able to increase their share by nearly seven percentage points to just under 15 %, to which the sale of the Radisson Blu in the first quarter made a substantial contribution. At around 8 %, logistics complexes also achieve a very good result. The remaining 8 % is spread across development sites and mixed-use properties.

INNER CITY AREAS REGAIN THE LEAD
After the City Centre was forced to relinquish its usual top spot to the Subcentres last year, it again occupies first place in 2017. The result in absolute terms is, indeed, somewhat lower, but on a pro rata basis it comes out clearly on top, with a good 41 %. More than 1 bn € was again invested in the Centre Fringe zones, too, which puts them in second place with some 31 %. With a large number of deals, including some that were high-volume, the Subcentres achieved a record result in the previous year, against which they drop off considerably in 2017. With around half of their previous year’s volume and more than 24 %, they occupy third place. With the exception of the Periphery areas, in which just 3 % was invested, the distribution of investment volume by location is very balanced overall.
**YIELDS FALL FURTHER**

The trend towards increasing purchase prices that has been seen for some time now continued. The persistently strong demand on the property markets is coming up against a limited supply, particularly in the core segment, which means that net prime yields in all asset classes fell further over the course of the year. As at year-end, yields of 3.15% are to be reckoned with for premium-segment office properties, which is 25 basis points lower than twelve months ago. Yields for first-class retail/office buildings dropped by 40 basis points to come to 3.00%. Even higher prices for retail properties can only be found in Berlin and Munich, at 2.90%. The strongest decline in yields can be seen in logistics complexes, which achieve a top yield of 4.50%, following 5.10% at the end of 2016.

**OUTLOOK**

Although the result for the Hamburg investment market is below the volume of the last three years, it nevertheless remains an above-average result when compared over the long term, and is a good 26% above the mean value. Thanks to the continued, very positive economic environment, flourishing rental markets and favourable financing conditions, it can be assumed that demand will also be high in 2018. The interest of national and international investors is undiminished and a pipeline that is still full from 2017 is expected to result in a lively start to the year. The bottlenecks in supply that are generally still present make a forecast of the overall annual volume difficult, however, but an increase on 2017 appears entirely realistic from today’s perspective.
LEIPZIG BREAKS THE BILLION € BARRIER

Leipzig has also benefited from the dynamic growth in the investment markets. With a transaction volume of over 1 bn €, the capital of Saxony might not have been able to top its record from 2015, but it did achieve an increase of 11% compared to the previous year and its second-best result of all time. It beat its long-term average by even more, by 91%. It is notable that fewer properties changed owner in 2017 than in 2016 with 64 registered deals, however the average volume per deal rose to 16 m € and as a result the previous year’s figure was improved on once again. In addition, a new record was set for single deals with a volume of 913 m €. Portfolios included on a pro rata basis contributed only 10% to the result.

GOOD DEMAND ACROSS ALL SIZE CATEGORIES

The Leipzig investment market benefited in 2017 from lively demand across all size classes, with the result that all groups contribute a double-digit percentage share to the volume. Major deals above 50 m € have the biggest share with 43%. This reflects among other things the sale of the nova events Leipzig shopping centre. The segment between 25 and 50 m € also records a significant increase compared to the previous year of almost 10 percentage points with a share of around 23%. The previous year’s leading category of between 10 and 25 m € on the other hand records a loss of 12 percentage points with a share of just under 21%. Here almost 40 investment properties below 10 m € changed owner, but they naturally contribute the lowest share to the result with 14%.

EQUITY / REAL ESTATE FUNDS DOMINANT

In the distribution of investment volume by buyer group, equity/real estate funds are the clear number one with a share of just over 35%. The aforementioned major deal involving the sale of the nova events to Ares Management and the Baupost Group contributed significantly to this. Special-purpose funds also secure just over 16%. Family offices and listed real estate companies/REITs also invested significantly with a share of around 10% each. All other buyer groups were much less in evidence and contributed only single-digit percentage shares to the result. Furthermore, Leipzig remains popular among foreign investors: Their share of almost 57% is even above the previous year’s figure.
Three Seller Groups Particularly Active

On the seller side, three groups were involved in a head-to-head race. Equity/real estate funds took top spot with a share of almost 23%. They are followed by listed real estate companies/REITs with just over 21% and investment/asset managers with around 20%. Here in particular the sale of large-volume properties are of significance. Property developers contribute a further 14% to the result. However, sales by private investors account for the most transactions, with these contributing a share of just over 6%. All other groups on the other hand only record single-digit percentage shares below 5%. In addition, the share of foreign investors increased significantly compared to the previous year to 59%.

Retail Properties Again Out in Front

Traditionally retail properties, which also include retail/office properties, are the most popular asset class in Leipzig. With a share of almost 55%, once again more was invested here in the past 12 months than in the previous year, with this being due among other things to the sales of nova eventis and the shares in the Paunsdorf Center. Unlike in the A-locations, where office properties normally account for the largest share of investment volume, in the Saxony metropolis they are the only second-biggest type of use with around 19%. In addition, hotels contribute just under 11%. Significant transactions here involved the Motel One Hotel by the Nikolai church and Capri by Fraser am Brühl. Furthermore, logistics properties gain almost 4 percentage points, with just over 8%. Development properties account for a further 5%, while others, which included mixed-use properties and nursing homes, account for 3%.

Periphery Contributes One Third to the Result

Unlike in previous years, when the Periphery played a minor role in the distribution of investment volume, it takes first place in 2017 with just under 34%. It is followed by the Subcentres with around 29% and the City, which benefited in particular from the sale of the Karstadt building, with just over 21%. The lowest share with just under 17% is taken by the area which had the greatest share of turnover in the previous year, the Centre Fringe. The shift in the distribution of transaction volume is due more to the inadequate supply of large-volume properties in central locations than it is to demand.
**PRIME YIELDS CONTINUE TO FALL**

The nationwide development of investment markets can also be seen very clearly in Leipzig. The high level of demand, the limited supply and shortage of investment alternatives have pushed yields down further in the past year across all asset classes, with the result that they are now all below 5%. The net prime yields for office properties have fallen in the last 12 months by 40 basis points and are currently 4.60%. Retail/office properties, which are very sought after in Leipzig, also fell by 30 basis points to 4.20%. The greatest fall in prime yields was recorded by logistics properties, which fell by 80 basis points to 4.90%. Yields in the capital of Saxony are therefore at their lowest level of all time.

**OUTLOOK**

Sentiment in the Leipzig investment market is again positive for the coming year. This is due to the good economic environment and favourable financing options. In addition, Germany is considered by many investors to be a “safe haven” and in particular Leipzig offers a good investment alternative to the big A-locations. The capital of Saxony should therefore continue to attract the attention of German and foreign investors. Whether and by how much the 1 bn € mark will be beaten again will depend largely on the supply of large-volume investment properties and, with this in mind, it remains to be seen if this can be achieved. What is certain, though, is that the result in the coming year 2018 will be well above the long-term average. A further fall in net prime yields for individual asset classes cannot be ruled out due to the aforementioned market conditions.
INVESTMENT MARKET GERMANY 2018 MUNICH

INADEQUATE SUPPLY PUTTING A BRAKE ON THE INVESTMENT MARKET

With a transaction volume of 5.2 bn €, in 2017 the Munich investment market fell short of the previous year’s extraordinary result by 18 %. However, viewed over the longer term, this is still a very respectable result which is a good one third above the long-term average. The fall is not due to a lack of investor interest, but primarily to an inadequate supply of large-volume core properties. This statement is underlined by the number of transactions over 100 m €. While there were 19 sales in 2016, in 2017 only 12 big deals were registered. The total number of deals recorded has also fallen slightly. In addition, the volume of portfolio sales recognised on a pro rata basis was lower than in 2016. Taking into account these aspects, market activity is on the whole lively despite the fall in transaction volume. Among the biggest and most important deals were the sales of Kap West, Kustermann Park and Highrise One.

FALL IN SHARE OF MAJOR DEALS

Although major transactions above 100 m € remained the most important size class with 41 %, their share fell somewhat compared to the previous year (48 %). The investment volume reduced by just over 900 m €. The mid-size categories increased their shares, however, with the 25 to 50 m € category, in which more was invested in absolute terms, increasing its share to 23 % and the 50 to 100 m € category to 22 %. The share of the two smallest classes up to 25 m € totalled 13.5 %. Here too, the turnover was less than in 2016.

BROAD DISTRIBUTION ACROSS DIFFERENT BUYER GROUPS

As in the previous year, 2017 saw a relatively broad distribution of turnover across different buyer groups. This suggests that the market is interesting for many investors with different risk profiles. First place was taken by special-purpose funds, which contribute just under 19 %. Very close behind are property developers with just over 17 %, who not only bought lots of land, but also a few larger office buildings in order to modernise and/or reposition them in the next few years. Investment managers (just over 13 %) and Insurance companies (11 %) also contribute double-digit percentage shares. The share of foreign investors is at 30 % at the same level as the previous year.
On the seller side, four groups had a large share. In first place are, as expected, property developers, who contribute just under 30% of the sales volume. The other podium places are taken by equity/real estate funds (20%) and investment managers (14%). While the former sold a wide range of properties across all asset classes, investment managers sold mainly office properties. In order to benefit from the good market and price situation, private investors also disposed of a lot of properties and land (9%). The share of foreign sellers is at one third much higher than in the previous year.

The share of office investments was down by 50%. Although they still represent the most important type of use, this is their lowest figure for the last six years. Here too, there is a shortage of large-volume newbuild projects in top locations, that is to say the market segment in which many investors are particularly interested. It is therefore all the more pleasing that almost all of the other asset classes increased in both relative and absolute terms. Second place is taken by hotel sales which doubled their turnover with a share of 18%. Close behind are retail properties with 16%; they too have gained slightly. Logistics properties increased their volume by two thirds and contributed almost 8%. Somewhat less was invested in development properties, however, which achieved a share of just over 3%.

After the investment volume had focused in particular on the Centre Fringe and Subcentres in the previous year, in 2017 it was distributed homogeneously across all locations. Although the greatest share was again invested in the Subcentres with just over 29%, the distance to the other market areas was reduced significantly. The Centre Fringe again takes second place with 27%. The share of the City and the Periphery locations is only slightly lower at around 22% each. The summarised distribution of transaction volume underlines the fact that investors invest where opportunities arise and do not concentrate only on specific locations. This can be interpreted as a vote of confidence in the future development of the Munich market as a whole.
FURTHER RISE IN PRICES
The continued strong demand from investors, which is being met in particular in the core segment with an increasingly limited supply, has further intensified competition for sought-after properties and resulted in an increase in prices. This development was seen in all market segments and locations. The net prime yield for office properties has fallen in the last 12 months by 30 basis points and is currently 3.00%. However, Munich has handed over the title of the most expensive location in Germany to the capital Berlin, where the figure is 2.90%. Retail/office buildings in the most highly frequented locations in pedestrian zones also recorded a similar development. At 2.90%, the prime yield there is now 35 basis points lower than one year ago. It must be pointed out, though, that in this market segment considerably higher prices can sometimes be achieved in special, isolated cases. The strongest yield compression was recorded by logistics properties with minus 55 basis points. The figure here is currently 4.50%.

MUNICH WILL REMAIN POPULAR IN 2018
Munich will remain one of the most important and popular investment locations in 2018 for both German and foreign investors. There are many reasons for this: Munich’s already very good economic base data will be boosted still further by the foreseeable economic growth. This will be reflected in the user markets and again result in a very high take-up. As a result, rents should continue to rise, which in turn will attract investors who want to participate in the potential future increases in rent and value. The significant increase in construction activity will also increase the supply of high-quality and as-new products, which should stimulate investment turnover. Against this background, an above-average transaction volume is again expected in 2018. Currently there is much to suggest that it might even be higher than in 2017. It remains to be seen though whether the 6 bn € barrier can be beaten again.
STUTTGART

GOOD RESULT DESPITE INADEQUATE SUPPLY
With a transaction volume of a good 1.4 bn €, the Stuttgart investment market achieved a good result compared over the long term, even if it fell short of the previous year’s exceptional record by almost a third. At the same time, however, the ten-year average was exceeded by around 37 %. Two main factors contribute to this decline in turnover: On the one hand, the result for 2016 was driven by nearly 600 m € in portfolio transactions included on a pro rata basis, whereby the corresponding figure for this year is only a little over 200 m €. On the other hand, there is currently a lack of supply, particularly in the large-unit core segment. Investor interest remains high, however, and this is also indicated by the number of deals, which only fell slightly against the previous year. At the same time, however, the average volume per sale has fallen noticeably from 31 m € to just under 26 m €.

FEWER MAJOR DEALS
The inadequate supply in the large-unit segment is also underscored by the fact that only 16 % of the investment volume is accounted for by sales over 100 m €. This is the lowest figure among all of the major German investment locations. The comparative figure for the previous year was 25 %. The biggest contribution to turnover was made by the category comprising deals of between 50 m € and 100 m €, which is responsible for a third. A share of 22 % is attributable to purchases of between 25 m € and 50 m €, which was more or less the same relative share. Small deals of up to 10 m € also enjoyed stronger demand and still contribute a good 7 % to the result. In absolute terms, too, just as much was invested in this market segment as in the previous year.

BROADLY SPREAD BUYER STRUCTURE
The fact that Stuttgart is on the shopping list of many investors can also be seen in the relatively broad spread of buyer groups involved in generating turnover. Just four groups of investors account for double-digit shares, whereby special-purpose funds and investment managers share pole position with a contribution of a little less than 17 % each. Competition for third place has also been tough. Listed real estate companies/REITs, who are responsible for almost 11 %, just about come out ahead of insurances (10.5 %), who are pushed back to fourth place by a hair’s breadth. The public sector (just under 9 %) and equity/real estate funds (6.5 %) occupy the subsequent positions.
THREE SELLER GROUPS WITH LARGER SHARES
A balanced distribution overall can be seen on the seller side, in which five groups have made sales in the over 100 m € segment. Three of these account for a double-digit share in the sales volume. Out in front are equity/realtestate funds, who contribute 21 %. Second place is occupied by investment managers, who make up almost 17 %, a large part of which results from the sale of the Mercedes-Benz Bank headquarters. As expected, the leading trio is completed by property developers, whose share amounts to nearly 14 %. In addition, family offices (8.5 %), listed real estate companies/REITs (8 %) and banks (7 %) also had significant shares.

OFFICE INVESTMENTS MOST POPULAR
As is the case in most of the other cities, office properties again take the clear top spot among asset classes in Stuttgart. Overall, they contribute a good 61 % to total turnover, which represents a decline of five percentage points. In absolute terms, even some 500 m € less was invested than in the previous year, which also reflects the inadequate supply. Logistics properties occupy second place, coming to a little more than 13 % and having benefited particularly strongly from portfolio deals included on a pro rata basis. Retail properties, which also include inner-city retail/office buildings, also made it onto the podium with a share of just under 13 %. Hotels were unable to maintain their good result from the previous year and only contributed a little under 5 % to the transaction volume.

UNUSUAL DISTRIBUTION ACROSS THE MARKET AREA
The regional distribution of investment turnover across the market area paints an unusual picture. With a share of more than 53 % in investment volume, the Subcentres have secured first place. On the one hand, this speaks for the fact that there was too little supply in the central areas, but on the other hand, it also underscores the fact that investors believe in a positive development of the market as a whole and are not just focused on top locations. In this respect, it can be seen as a mark of confidence in Stuttgart. The Centre Fringe zones, which are responsible for almost 24 % of turnover, were also able to finish ahead of the City Centre, whose contribution comes to 13 %. The Periphery areas, which were very strong in 2016, currently contribute around 10 %.
YIELDS CONTINUE TO FALL

Competition for attractive investment properties has continued to intensify, as the strong demand from investors is not met by an adequate supply. As a result of this, the purchase prices have further increased in Stuttgart as well, and have done so in every asset class. Net prime yields for office buildings have fallen by 35 basis points over the course of the year to a current 3.40%. Stuttgart thereby ranks mid-table among the German A-locations. Yields of 3.20% are to be reckoned with for inner-city retail/office buildings in top locations, which corresponds to a drop of 45 basis points. The sharpest fall, by 60 basis points, has been seen in prime yields for logistics complexes, which are currently quoted at 4.50%, as is the case in many other major metropolitan regions.

GOOD PROSPECTS FOR 2018

The prospects for the Stuttgart investment market continue to be positive. 2018 is also expected to see continued strong demand on the part of investors, who have great confidence in the further development of the location. The state capital of Baden-Württemberg will also benefit from the extremely good fundamental data for Germany. Increasing GDP and a further rise in employment figures, coupled with falling unemployment, represent conditions that will be reflected in the demand for premises. For buyers, this is therefore the right time to enter the market, in order to participate in future opportunities for value growth. In view of this, the signs again point towards an above-average transaction volume. Whether a result that may again be in the two billion range is achieved, however, remains to be seen and will largely depend on the supply that is ultimately available.
5 BUSINESS LINES
in Germany

German locations

BNP PARIBAS
REAL ESTATE GMBH
10719 Berlin
Kurfürstendamm 22
+49 (0)30-884 65-0

50676 Cologne
Cäcilienkloster 10
+49 (0)221-93 46 33-0

01067 Dresden
Ammonstrasse 72
+49 (0)351-79 87 57-17

40213 Düsseldorf
Bennrather Strasse 18-20
+49 (0)211-52 00-00

45127 Essen
Kettwiger Strasse 2-10
+49 (0)201-620 22-2

60547 Frankfurt am Main
Walther-von-Drenberg-Platz 2
+49 (0)69-297 24 36-0

60311 Frankfurt am Main
Goetheplatz 4
+49 (0)69-298 99-0

20355 Hamburg
Axel-Springer-Platz 3
+49 (0)40-348 48-0

04109 Leipzig
Markt 16
+49 (0)341-30 86 89-0

80539 Munich
Maximilianstrasse 35,
Building C / Entrance
Herzog-Rudolf-Strasse
+49 (0)89-55 23 00-0

BNP PARIBAS REAL ESTATE
CONSULT GMBH
10719 Berlin
Kurfürstendamm 22
+49 (0)30-884 65-200

60311 Frankfurt am Main
Goetheplatz 4
+49 (0)69-298 99-450

20355 Hamburg
Axel-Springer-Platz 3
+49 (0)40-348 48-100

80539 Munich
Maximilianstrasse 35,
Building C / Entrance
Herzog-Rudolf-Strasse
+49 (0)89-55 23 00-0

BNP PARIBAS REAL ESTATE
PROPERTY MANAGEMENT GMBH
10719 Berlin
Kurfürstendamm 22
+49 (0)30-884 65-0

50933 Cologne
Esperer Strasse 135-137
+49 (0)221-91 88-0

01067 Dresden
Ammonstrasse 72
+49 (0)351-79 67 57-10

40547 Düsseldorf
Fritz-Vomfelde-Strasse 26
+49 (0)211-301 82-0

60594 Frankfurt am Main
Walther-von-Drenberg-Platz 2
+49 (0)69-297 24 36-0

40547 Düsseldorf
Fritz-Vomfelde-Strasse 26
+49 (0)211-301 82-0

BNP PARIBAS REAL ESTATE
INVESTMENT MANAGEMENT
GERMANY GMBH
80636 Munich
Lilli-Palmer-Strasse 2
+49 (0)89-121 73-0

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