NEW RECORD FOR SINGLE DEALS (+12 %)
A very respectable 12.3 bn € was recorded in the first quarter, which is just 3 % below the record set in the previous year. It is noteworthy that this result is attributable in particular to single transactions, which achieve a new all-time high with more than 10.3 bn € and beat the record set in the previous year by 12 %. Large portfolio sales, in particular pan-European portfolio sales, have so far played a fairly minor role, though. If there had been more packages on the market resulting in just an average transaction volume, another new record would have been set in the first quarter. From the viewpoint of buyers, the excellent fundamental data provides not only potential for future increases in property values, but also the framework for stable investments. Whether this be the strong demand in the occupier markets with increasing rents, growing employment or very good forecasts for GDP growth.

NEW RECORD TURNOVER IN THE A-LOCATIONS
A new record was set in the German A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart) with 8.41 bn €. First place was taken by Munich with just over 2.65 bn € (+69 %). In second place was Frankfurt with 1.54 bn €, which beat the previous year’s figure by half. The top three is completed by Hamburg, where a turnover of around 1.29 bn (+145 %) was recorded. A new all-time high was achieved in all three cities. Narrowly behind in fourth place is Berlin with just under 1.27 bn €, the third-best result of all time. The Düsseldorf market achieved its second-best start to the year with 668 m € (+28 %). Very close behind is Stuttgart with 648 m € (+163 %), which is also a new record. In Cologne a turnover of 348 m € was generated, which was 42 % less than in the same period of the previous year.

OFFICES HIGH ON INVESTORS’ SHOPPING LISTS
Investors focused in particular on office properties, which accounted for just under 51 % of turnover. This reflects the positive assessment of occupier demand, which is likely to result in noticeable rent increases. With 6.24 bn €, the previous year’s result was beaten by 29 % and a new record was set. In second and third place are retail and logistics properties, which each contribute around 14 % and recorded a drop in share. As expected, hotels were unable to reach the previous year’s extraordinary level. With 617 m €, they are around 45 % below the comparative figure and contribute only 5 % to the total transaction volume.
Investments by buyer group Q1 2018

- Listed real estate companies/REITs: 14.7%
- Equity/real estate funds: 13.6%
- Special-purpose funds: 13.6%
- Property developers: 11.4%
- Investment/asset managers: 10.7%
- Pension funds: 8.2%
- Corporates: 6.3%
- Others: 21.3%

Investments by origin of capital Q1 2018

- Germany: 58.9%
- Europe: 6.3%
- North America: 13.0%
- Middle East: 14.7%
- Asia: 6.8%
- Others: 0.4%

FIVE INVESTOR GROUPS WITH DOUBLE-DIGIT SHARES

The broad demand base is shown by the fact that no less than five investor groups achieved a double-digit share in turnover. Listed real estate companies/REITs take first place with just under 15%, followed by special-purpose funds and equity/real estate funds with approx. 14% each. Property developers (just over 11%) and investment managers (just under 11%) also invested significantly.

SLIGHT INCREASE IN THE SHARE OF FOREIGN INVESTORS

The share of foreign investors is just over 41% and therefore slightly higher than in the same period of the previous year. With under 15%, European buyers make the biggest contribution, followed closely by North American investors, who contribute around 13%. There has been a significant increase in activity from buyers from the Middle East, who are responsible for just under 7%, as well as Asian investors, who account for just over 6%. Together they account for roughly the same level as North American buyers. Both regions have therefore also set a new record turnover not only in relative terms, but also in absolute terms in the first quarter.

YIELDS STABLE IN THE FIRST QUARTER

After yield compression had again been observed across the board last year, prime yields have taken a breather in the first quarter of 2018. In the office segment Berlin therefore remains the most expensive location with a net prime yield of 2.90%. Second place is taken by Munich with 3.00% and third place is shared by Hamburg and Frankfurt, each with 3.15%. Stuttgart follows in fifth place with 3.40%, ahead of Düsseldorf (3.50%) and Cologne (3.55%). A stable development was also recorded in other asset classes. In the logistics sector, prime yields remain 4.50% in the major locations. For high-quality office buildings in the best shopping streets they average around 3.05% in all cities, whereby even higher prices can be achieved in exceptional cases.

OUTLOOK

For the year as a whole, everything is pointing to another extraordinary investment year and a sustained high level of demand. Besides the very good fundamental data and general conditions, Germany will also continue to benefit from its stability. Investors agree that particularly in times of many global uncertainties and trouble spots, a high share of safe real estate investments is the right strategy. At the same time it is generally thought that Germany has a very good chance of achieving relatively high growth. Based on the GDP and job market forecasts and the good results of occupier markets, we expect that the volume will again be over 50 bn € in 2018. In the core-plus and value-add segments the occasional slight fall in yields cannot be ruled out.