SLOW START TO THE YEAR
The Leipzig investment market generated a transaction volume of 128 m € in the first quarter of 2018. The Saxony metropolis was unable to repeat the previous year’s outstanding result, when a little under 400 m € was invested in the first quarter. However, it should be noted that the previous year’s result was boosted significantly by the sale of the nova eventis shopping centre, which, at around 200 m €, was also by far the biggest deal for many years. The moderate result is also due to the good final quarter of 2017, when a few sales were completed and consequently did not carry over into the next year. It is expected that the market will pick up noticeably in the remainder of the year and will follow the nationwide trend again. Therefore the segment of portfolio deals included on a proportionate basis, in which to date hardly anything has been registered, should also pick up in the coming quarters.

DEALS BETWEEN 50 AND 100 M € LEAD THE WAY
The distribution of investments by size category shows a different picture to the one for the first quarter of 2017. In particular the sale of nova eventis, which was responsible in the previous year for a share in turnover of almost 51 % in the segment over 100 m €, plays a key role here. In the first quarter of 2018 no deals were recorded in this segment. The biggest transaction is the sale of the Pößna Park retail park, which ensured with just over 46 % that the decisive share was claimed by investments between 50 and 100 m €. Small deals below 10 m € generated one third of the volume, sales in the middle segment (25 to 50 m €) contributed one fifth.

RETAIL INVESTMENTS TOP THE TABLE AGAIN
As in the same period of the previous year, retail properties again contributed over 60 % to the transaction volume in the first quarter of 2018 and have taken a clear lead. Measured by volume, their result may be below that achieved in 2017, but with 80 m € they are nevertheless the only asset class to achieve a result above the long-term average. Well behind in second place are office investments, which, due to the supply situation, only contribute small deals and total just under 9 %. Logistics properties account for almost 3 %. The collective category others make up a high share of over one quarter.
SHORT SUPPLY IN THE CITY CENTRE

The regional distribution of investment turnover across the market area paints an unusual picture. On the one hand, this suggests that there is too little supply in the central areas, on the other hand it also underlines the fact that investors believe in a positive development of the market as a whole and are not just focused on the City Centre. The clear winner, as in the first quarter of 2017, is the Periphery, in which three quarters of the turnover totalling 98 m € is located. In this location not least of all Pößnitz Park in Großpösna, to the south east of Leipzig, changed owner. The Subcentres generate just over 13 %, while the Centre Fringe achieves a share of around 11 %.

FOUR BUYER GROUPS WITH DOUBLE-DIGIT SHARES

Four buyer groups account for most of the turnover, each with a double-digit share: Special-purpose funds account for just over 46 % and with this have taken a clear lead among all investors and are also one of the top 3 buyer groups nationwide. In second place are corporates with around one fifth of the volume. Listed real estate companies/REITs, which register a share of almost 16 % and have secured several smaller properties in different locations, have also made it onto the podium. Against the background of foreign investors being responsible for the biggest transactions, their share has risen to two thirds. This is above average compared to the rest of Germany.

NET PRIME YIELD FOR LOGISTICS NOW BELOW 5 %

The excess demand pushed down the net prime yields of the three property types in 2017, with these falling by between 20 and 60 basis points compared to one year ago. At the start of the year the top yields have been stable: Premium retail properties remain the most expensive with 4.20 %. For office properties the net prime yield is 4.60 %, and logistics properties have also fallen below the 5 % mark (4.90 %).

OUTLOOK

After a brilliant result in the previous year, the Leipzig investment market has made a relatively quiet start to the new year. The reason for this is not so much a lack of demand, but a shortage of supply. This is also reflected by the office segment and the central locations being under-represented to date without any larger transactions. What is pleasing, though, is the high share of foreign investors, which underlines the growing attractiveness of the investment market at international level. Against this background it is expected that market activity will pick up significantly in the remainder of the year in Leipzig.