At a Glance Q3 2018
INVESTMENT MARKET BERLIN

INVESTMENT MARKET DELIVERS BRILLIANT RESULTS
After the first three quarters of the current year, the Berlin investment market has again generated impressive figures. A total of 4.83 bn € was invested in commercial properties in the capital. Only in 2017, when mega transactions such as the sale of the Sony Center alone accounted for over 1 bn €, was the figure higher. The long-term average was beaten by an impressive 56% after the third quarter, and the total investment volume of single transactions was only higher in the previous year. However, this interim result does not reflect fully the level of demand: If there had been a greater supply, the turnover could also have been higher. The capital therefore has no choice but to remain behind Frankfurt, where a new record was set with 6.79 bn €, and Munich with 4.90 bn €. The lead over Hamburg, where a turnover of 4.02 bn € was generated, is surprisingly small. The most prominent sales in the current year include the ensemble Leipziger Platz 14-16, the Zalando Campus in Friedrichshain and the “Das Schloss” shopping centre in Steglitz.

AVERAGE VOLUME PER ASSET STABLE
Compared to the same period of the previous year, turnover in the category above 100 m € is down significantly, with this segment only responsible for just under 47% of the volume. However, the average volume per property sold is again relatively high at around 51 m €. The reason for this is the huge increase in the transaction volume with assets between 50 and 100 m €. Here an 86% increase to almost 1.5 bn € was recorded (31% share of turnover). The contribution of smaller categories is much lower. Deals between 10 and 25 m € contribute 12% and properties between 25 and 50 m € a further 9%.

AROUND HALF OF THE VOLUME FOR OFFICES
Office properties remain the measure of all things in the Berlin market and account for almost 49% of the turnover. However, other asset classes are also very in demand, as shown by the high shares. Thanks to the ensemble Leipziger Platz 14-16 and the “Das Schloss” shopping centre, retail properties account for around 22% and, with just under 9%, hotels maintain a similar share to the previous year. Investment in logistics properties was up slightly, and these now contribute just over 6%. A significant share was also invested in all other categories such as development sites and mixed-use properties (15%).
Investments by location in Berlin Q1-3

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topcity</td>
<td>22.8</td>
<td>25.8</td>
</tr>
<tr>
<td>City Centre</td>
<td>24.6</td>
<td>38.5</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td>17.8</td>
<td>30.2</td>
</tr>
<tr>
<td>Subcentres</td>
<td>22.4</td>
<td>17.9</td>
</tr>
</tbody>
</table>

BROAD DISTRIBUTION ACROSS THE MARKET REGION

As in the previous year, investments are distributed across the entire market region, whereby the spread is currently more even: The shares of the individual locations all lie between 22% and around 30%. First place is currently taken by Centre Fringe with 30% and a few prominent and large-volume sales such as the Zalando Campus, the Forum Landsberger Allee and “Das Schloss”, followed by the City Centre locations with just under 25%. The Topcity markets are positioned with 23% just ahead of the Sub-centres (just over 22%), whereby in the former the least number of properties were sold, while in the peripheral submarkets by far the most assets changed owner.

THREE INVESTOR GROUPS PARTICULARLY ACTIVE

Special-purpose funds, which are a major player nationwide, also play an important role in the Berlin market. They account for around one quarter of the investment volume and are interested not only in office properties, but in all types of use. They focus primarily on core and core-plus properties. Around 18% of turnover is accounted for by investment managers, who acquire properties for a multitude of investor types and investment strategies. Listed real estate companies/REITs made a double-digit contribution as well with just under 12% and also purchased larger properties such as the Hilton. The very high share in turnover of property developers, 8%, is evidence of the high level of expectations that the market will continue to develop positively. Berlin remains extremely popular among foreign buyers, who account for 50% of the volume, but are only responsible for 40% nationwide.

FURTHER REDUCTION IN LOGISTICS PRIME YIELD

Following the yield compression at the end of 2017, yields have remained largely at a low level in the current year. At the end of the third quarter, the net prime yield for both first-class office properties and retail/office buildings in the A locations remains 2.90%. Further price increases were only recorded in the logistics segment. The prime yield for logistics assets is currently 4.20%.

OUTLOOK

The capital is a major attraction for potential investors from Germany and abroad. Thanks to the positive rent forecasts, not even the price increases have been able to dampen the positive sentiment in the past. As a few major contracts are expected to be completed in the fourth quarter, market activity should be lively, and as a result it cannot be ruled out that the 7 bn € mark will be exceeded again.

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

The statements, notifications and forecasts provided here correspond to our estimations at the time when this report was prepared and can change without notice. The data come from various sources which we consider reliable but whose validity, correctness or exactness we cannot guarantee. Explicitly, this report does not represent a recommendation of any kind, nor should it be regarded as forming a basis for making any decisions regarding investment or letting or renting property or premises. BNP Paribas Real Estate can accept no liability whatsoever for any information contained or statements made herein.

Imprint  Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status 30.09.2018
Further Information  BNP Paribas Real Estate GmbH | Branch office Berlin | Phone +49 (0)30-884 85-0 | www.realestate.bnpparibas.de