SOLID START TO THE YEAR

Although it was unable to match the exceptionally high result of the prior-year period, the Leipzig investment market turned in a solid performance in the first quarter of 2015 with a transaction volume of 114 m €. Despite this more modest turnover, market activity was lively, as shown by the year-on-year increase in the number of deals. The lower volume of investment was due on the one hand to a lack of large deals – demand up to now has been confined to the segment below the 25 m € mark – and on the other to the fact that portfolio transactions (included on a pro rata basis) contributed only slightly over 5 % to the total. In the opening quarter of 2014, the relevant proportion was more than 32 % and corresponded by itself to a volume of about 140 m €. Accordingly, the average value per sale has dropped from over 13 m € last year to 7 m € this year.

LIVELY DEMAND IN SMALL-UNIT SEGMENT

Up to now, market activity has been restricted entirely to the size segment of up to 25 m €. The focus was on the 10-25 m € bracket, which accounted for more than two-thirds of the transaction volume. But sales of smaller assets of up to 10 m € were also numerous: this category accounted for the remaining third of the total, which means that its relative significance has almost tripled compared with the first three months of 2014. There have so far been no larger deals, but this must be seen as merely an interim situation and not as a sign of any lack of investor interest. Among the most important transactions were the sales of the Atrium Leipzig office building and of the Quadriga Business Park.

OFFICE ASSETS REGAIN LEAD

After being relegated to third place in the opening quarter of 2014, office buildings have regained the top position in the asset-class ranking with an impressive 72 % of all turnover. Last year’s leader, retail properties, have had to be content with second place, with a share of just over 18 %. Logistics complexes, which in 2014 had come second, played hardly any role at all in the opening quarter of this year, something due, though, primarily to a lack of supply. The same applies to hotels, which have also failed to register any notable turnover up to now. Together, the other asset classes generated just over 9 %, slightly less than last year.
RELATIVELY BROAD GEOGRAPHICAL SPREAD
With the exception of the periphery, which obtained just 5.5 % of turnover (around -25 percentage points), all the geographical categories gained sizeable shares of aggregate investment. The top slot was the subject of a neck-and-neck contest between the subcentres and the Centre Fringe, which was won by the former with 38 % of the total, putting it just marginally in front of the Centre Fringe zones (37 %). In third place came the City Centre, which contributed almost 20 % to the transaction volume; this was a slight improvement on its prior-year share. Overall, therefore, the distribution of investment can be considered fairly balanced.

SPECIAL-PURPOSE FUNDS IN LEAD AGAIN
Special-purpose funds have stepped up their prior-year lead by more than 10 percentage points: their share of investment at the end of the first quarter came to nearly 41 %. Together with project developers, who contributed 30 % to the total, they have left all the remaining investor groupings well behind them. The only other category to generate a double-digit slice were family offices, with just over 13 %. If the share obtained by conventional private investors (4 %) is added to that, the proportion of the deployed capital originating from private sources actually comes to 17 %. The share of investment generated by foreign buyers has fallen to one third; in the prior-year period they were responsible for almost three-quarters of the total.

YIELDS EASE FURTHER
During the course of 2014, net prime yields had already declined somewhat, and in the first quarter of this year they have eased slightly further. The biggest changes involved the top yields for new or as new, fully-let logistics complexes; these now stand at 6.30 %. Net initial yields for office assets have also fallen another 10 basis points to 5.30 %. The prime yield for retail/office properties, which had already slipped significantly in 2014, has remained stable at 4.90 %.

OUTLOOK
The first quarter of the year provided fresh confirmation that the small-unit segment, comprising deals up 25 m €, provides an assured basis for a good overall investment volume in the Leipzig investment market. Accordingly, assuming that some larger-volume transactions are realised in the further course of the year, there is a good chance that the average turnover of recent years can be exceeded. But whether it will prove possible to achieve a result again on the 500 m € scale remains to be seen and will depend to a not inconsiderable extent on the availability of appropriate assets.