MARKED RISE IN RETAIL INVESTMENTS

The very dynamic start to 2015 has confirmed the fact that retail assets top the shopping lists of investors. The first-quarter transaction volume totalled 3.76 bn €. This exceeded both the prior-year figure and the ten-year average by about 25 % and was the second-best result of the past ten years - only in 2006 was turnover appreciably higher. This excellent performance was fuelled especially by portfolio deals, whose volume expanded by 85 % to just over 2.14 bn €. Among other things, that reflects the takeover of Corio by Klépierre, which by itself contributed about 1 bn € to the total. On the other hand, the aggregate value of single deals slipped slightly by 13 % to just under 1.62 bn €. This fall was not due to any lack of investor interest, though, but purely to an inadequate supply of large, modern properties.

TOP LOCATIONS ALSO POST HIGHER TURNOVER FIGURES

The Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) also registered an increase in investment, to about 870 m €, but at 7 %, the rise was less marked than the nationwide growth. Only Munich suffered an appreciable year-on-year fall, with a total up to now of only 20 m €. The biggest turnover was that registered in Berlin, with 479 m €; this was almost twice the prior-year figure. But Hamburg also attracted nearly 40 % more capital than in 2014, taking its total to 205 m €. The other cities, too, posted substantially higher transaction volumes: Cologne 80 m €, Frankfurt 65 m € and Düsseldorf nearly 21 m €.

DISCOUNTERS AND SUPERMARKETS STILL OUT IN FRONT

The first quarter brought a continuation of the trend already apparent last year: investors are now again more risk-ready and prepared to buy outside the core segment. This has benefited specialised discount stores, supermarkets and specialist retail centres, which head the asset-class ranking with a share of close to 46 %. In second place come shopping centres with over 35 %; this figure is largely due, though, to the Corio acquisition. Overall, the supply of attractive shopping centres remains very limited. Downtown retail/office buildings lifted their share of investment from just under 13 % to 19 % of the total, which corresponds to almost doubling their transaction volume.
LISTED REAL ESTATE COMPANIES AND SPECIAL-PURPOSE FUNDS OUT AHEAD

Compared with last year, there has been a slightly stronger concentration on specific investor groupings. Thanks to the sale of Corio to Klépierre, listed real estate companies – which were already heavily represented in 2014 – have significantly increased their share of aggregate investment, to lead the field quite easily with nearly one third of the total. In second place came special-purpose funds. Just like last year, they were once again among the most important investors and contributed almost 24% to the overall result. Completing the leading trio were pension funds, which accounted for over 14% and somewhat surprisingly injected very large amounts of capital into discount store assets. So together, these three groupings were by themselves responsible for 70% of all investment. The relatively low contribution of under 8% made by private investors and family offices was due predominantly to the inadequate availability of premium products. Foreign investors have stepped up their share of the total to 55%, thus finishing ahead of German players; the main reason for this has been their strong activity in the portfolio segment.

PRESSURE ON PRIME YIELD SUSTAINED

In 2014, strong investor interest combined with the restricted supply produced ongoing yield compression – especially in the premium segment of retail/office properties in the top parts of the major cities. Here, net initial yields have now fallen to below 4%. The most expensive location is still Munich, which has a prime yield of 3.50%. The figures for the other cities are Hamburg 3.80%, Cologne 3.85%, Düsseldorf 3.90%, and Berlin and Frankfurt each 3.95%. So the average across the six main German locations is at the historically low level of 3.83%.

Prime yields have also continued to fall in the other market segments as well. Shopping centres in very good areas now have a top yield of 4.50%, while the yields for well-let specialist retail centres have fallen to 5.50%. Stand-alone discount stores currently have a top yield of around 6.10%.

OUTLOOK

The framework for retail investments looks distinctly good. The positive labour market situation, growing consumer expenditure and historically favourable interest rates together form a very attractive investment environment. Against this background, the remaining months of the year can be expected to go on producing high transaction volumes, with growth seen particularly in portfolio deals in the core-plus and value-add segment. Turnover in the field of high-quality assets, though, especially shopping centres, will be determined less by demand than by the available supply.