**RESEARCH**

**RESIDENTIAL INVESTMENT SETS NEW RECORD**

In 2015, the investment market for sizeable housing stocks (upwards of 30 residential units) posted a new record. Turnover totalled 24 bn €, which was nearly 89 % higher than the already very good prior-year result and which topped the ten-year average by all of 116 %. One reason for this exceptional performance was a large number of major transactions, with six package deals exceeding the 500 million euro threshold. The most noteworthy was Deutsche Annington’s takeover of Gagfa for just under 8 bn €, which really boosted the total. Other key transactions in the course of the year were the acquisition of Süddeutsche Wohnen for around 1.9 bn €, the purchase of some 13,500 residential units by Patrizia, and the securing of about 13,800 units from newly founded Vonovia by LEG Immobilien AG. These examples show that the trend toward consolidation among the large listed housing companies continues undiminished. The survey covered almost 320 transactions involving close to 353,000 residential units. The average sales price per unit came to just over 68,000 €, while the volume per deal, fuelled by the many large transactions, averaged almost 76 m €.

**PROJECT DEVELOPERS WITH TURNOVER SURGE**

As a result of the major deals, existing portfolios gained by far the biggest share of investment, with 78 %. What is especially notable, though, is the growing significance of project developments; these contributed nearly 2.28 bn € (9.5 %) to the total, which was half as much again as the already very good prior-year result and bettered the average of the past eight years by all of 120 %. Projects attract in particular the interest of core investors, since there is a shortage of alternative assets offering secure and at the same time adequate returns. This is also revealed by the structure of investors: almost 59 % of the relevant turnover came from special-purpose funds, which generally conceal institutional players. But pension funds and family offices were also very active.

**LARGE DEALS ACCOUNT FOR THREE-QUARTERS OF TURNOVER**

Alongside the major triple-digit transactions which essentially shaped market activity with a share of more than 75 %, sales of between 50 and 100 m € contributed just over 9 % to aggregate investment. All the other size classes obtained lower shares than the year before, even though in some cases they attracted more capital in absolute terms. Deals of up to 25 m € accounted for around two-thirds of the total number of sales.
LISTED REAL ESTATE COMPANIES DOMINATE THE MARKET
Maintaining the pace of their restructuring and consolidation processes, listed real estate companies were responsible for around 60% of the overall transaction volume. The second very active investor grouping comprised special-purpose funds, which accounted for nearly 14% of the total. They generally serve as intermediaries for institutional investors seeking to deploy capital in the housing market and step up the real estate proportion of their portfolios. Property firms, equity/real estate funds and private investors each made contributions of just under 5% to aggregate investment. But public housing companies also achieved a respectable share of the overall volume, with just under 4%.

GERMAN INVESTORS WELL OUT IN LEAD
Thanks to the deals by listed housing companies, German investors accounted for 85% of total turnover. The proportion of buyers from abroad (just over 15%) has fallen slightly compared with the year before (18%). Those figures, however, do not convey an accurate picture, because in fact foreign market players actually invested around 58% more in 2015 (nearly 3.68bn €) than they had in 2014. If listed real estate companies – which are more than 90% German-dominated – are left out of consideration, foreign investors actually account for 27% of the total deployed by the remaining groupings. This shows that German housing is exerting an increasing attraction for all market participants.

PRICES HAVE RISEN FURTHER
The ongoing upturn in demand on the part of both German and foreign investors – also outside the market segment of mega-deals dominated by listed real estate companies – prompted a further rise in purchase price levels in 2015. Existing portfolios generally command prices of between 800 and 1,300 €/m². Block sales of older properties usually involve prices of between 1,200 and 1,600 €/m². Project developments in big German cities predominantly have a price-ticket of between 3,200 and 4,500 €/m². But especially in this market segment, there is a broad spectrum of prices, with considerably higher figures being obtained in individual cases.

2016 WILL BE ANOTHER ABOVE-AVERAGE YEAR
In view of the continuing strong demand, all the signs from today’s angle suggest that 2016 is also set to generate an extremely good investment turnover. One key factor in the volume ultimately achieved will be whether the planned acquisition of Deutsche Wohnen by Vonovia is concluded or not. If it is, another transaction volume of more than 20bn € is conceivable. But even if this deal is not concluded, a result well above the ten-year average of over 11bn € can be expected.