

Market in Minutes

Germany office investment markets

Q1 2016



The market at a glance

B-cities and particularly B-locations are increasingly popular with investors

■ Office property was among the winners in the German commercial investment market in the first quarter of 2016. The transaction volume for office properties rose by 6% compared with the corresponding period last year to approx. €3.7bn (Table 1). We also expect offices to remain the most sought-after sector for the remainder of the year, significantly ahead of retail property.

■ The increase in ABBA strategies that we predicted at the start of the year was clearly apparent in the first quarter. Only around 47% of the

transaction volume was attributable to the top seven cities compared with the three-year average of 51%.

■ Likewise, in the A-cities, activity is being dominated by the B-locations, which is evident from the fact that core assets accounted for only a third of investment volume. In view of the scarce supply in the prime segment, this trend is expected to continue throughout the remainder of the year. However, since most investors remain focused on the A-cities, the strong demand for core-plus and value-add product in these

cities is likely to persist over the course of the year. This assertion is also supported by the healthy conditions in the lettings markets. The continuing decline in vacancy rates reduces re-letting risks and, conversely, enhances the prospects of rental growth. Properties in good or emerging locations and with short unexpired lease terms are, therefore, in particularly high demand from investors.

Key figures and composition of transaction volume

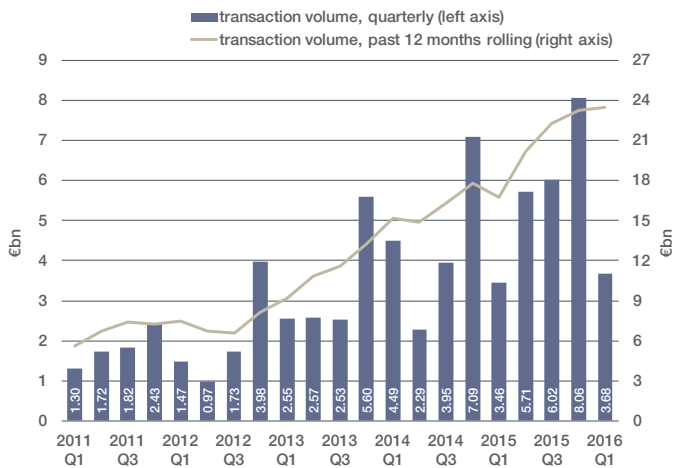
Cologne and Stuttgart with largest increases year-on-year

TABLE 1
Key investment market figures

	Transaction volume (€m)				Prime yield (%)			
	Q1 16	against Q1 15	Q2 15 - Q1 16	against Q1 15 - Q4 15	Q1 16	against Q1 15	against Q4 15	Trend next 6 months
Berlin	356	-36%	3,671	-5%	3.9%	-30bps	+/-0bps	↓
Düsseldorf	222	+144%	1,672	+8%	4.1%	-10bps	+/-0bps	↓
Frankfurt	335	-54%	3,926	-9%	4.0%	-30bps	+/-0bps	↓
Hamburg	620	-13%	2,563	-4%	4.0%	-20bps	-10bps	↓
Cologne	158	+312%	1,038	+13%	4.2%	-30bps	-10bps	↓
Munich	728	+10%	4,185	+2%	3.7%	-20bps	+/-0bps	↓
Stuttgart	219	+161%	786	+21%	4.2%	-30bps	-10bps	↓
Top 7	2,639	-8%	17,843	-1%	4.0%	-29bps	-9bps	↓
Germany	3,681	+6%	23,473	+1%	-	-	-	-

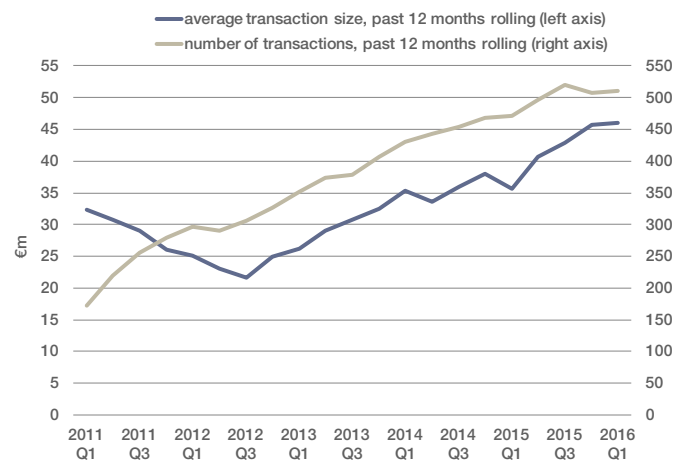
Source: Savills

GRAPH 1
Transaction volume



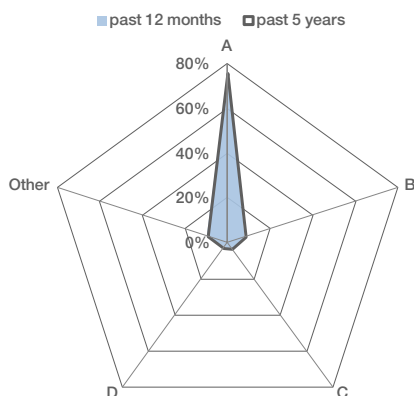
Source: Savills

GRAPH 2
Deal size and number of transactions



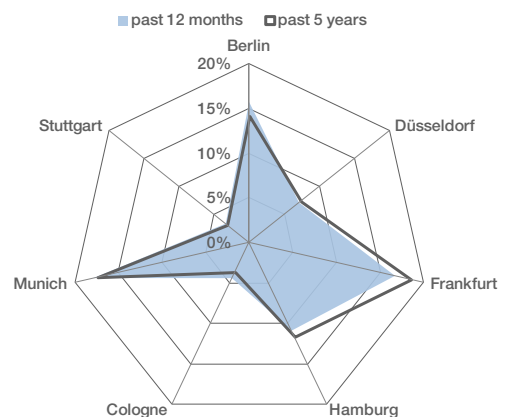
Source: Savills

GRAPH 3
Transaction volume by type of city*



Source: Savills / * based on the Bulwiengesa classification

GRAPH 4
Transaction volume by location*

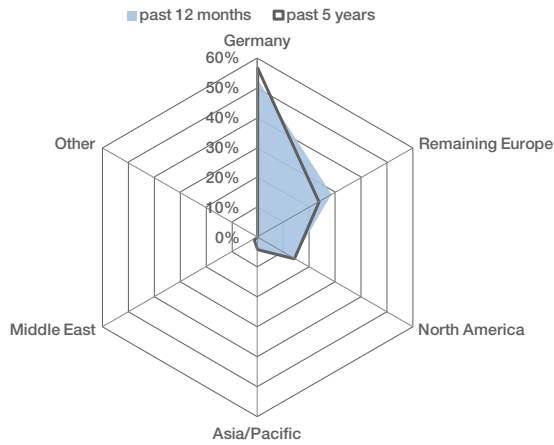


Source: Savills / * share of other locations 24% (past 12 months) and 24% (past 5 years) resp.

Investors, yields and largest transactions

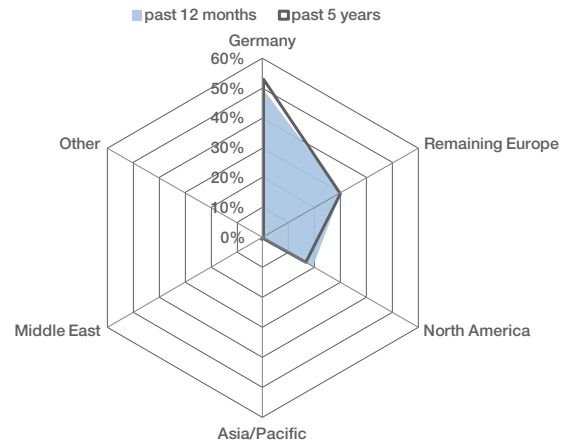
Domestic investors are the most active | Further yield compression foreseeable

GRAPH 5
Transaction volume by origin of buyer



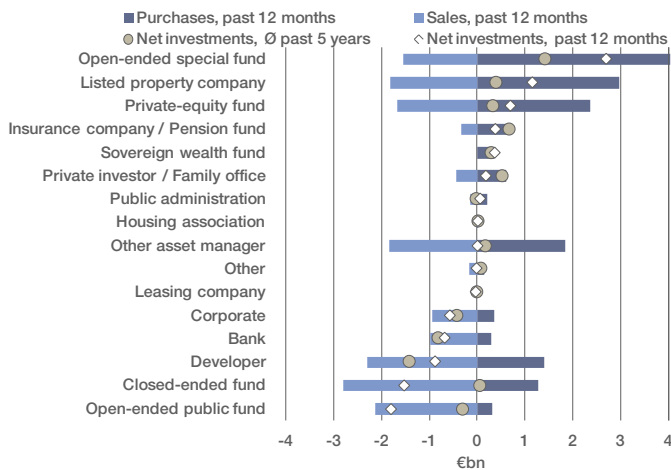
Source: Savills

GRAPH 6
Transaction volume by origin of seller



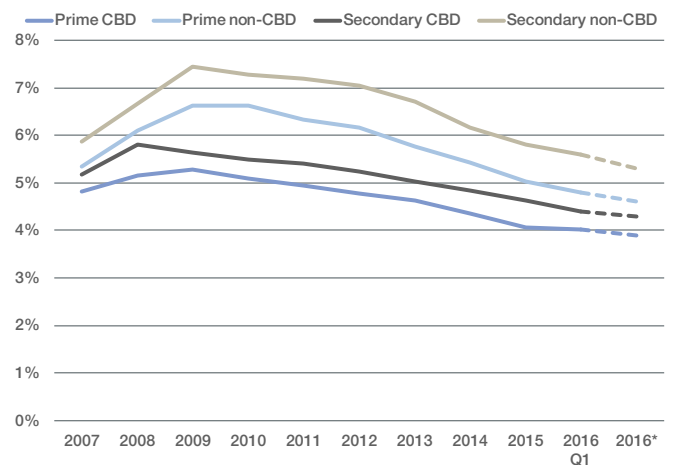
Source: Savills

GRAPH 7
Transaction volume by type of investor



Source: Savills

GRAPH 8
Yields**



Source: Savills / * forecast / ** in each case average of Berlin, Frankfurt and Munich

TABLE 2
The largest transactions in Q1 2016 at a glance*

Property / Portfolio	Location(s)	Volume	Buyer	Vendor
BayWa-Hochhaus	Munich	approx. €280m	WealthCap	BayWa / Competo
Archer-Portfolio (10 properties)	across Germany	undisclosed	Apollo	Goldman Sachs
BOC	Frankfurt	undisclosed	Amundi / Ilmarinen	JP Morgan
Telekom Campus	Hamburg	approx. €125m	Amundi	TAS
Areva Headquarter	Erlangen	undisclosed	Publity	Aerium

Source: Savills / * only published transactions are shown

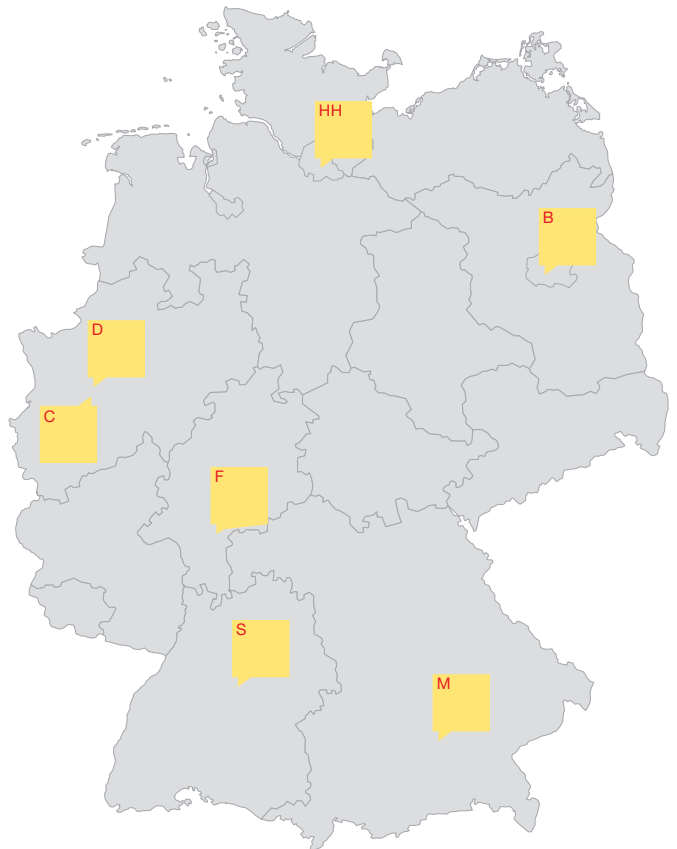
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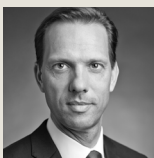
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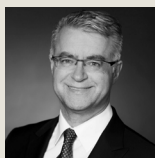


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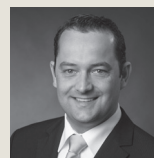
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