

Market in Minutes

Germany office investment markets

Q4 2015



The facts at a glance

Office property remains the investors' favourite despite significant yield compression

■ Office property remains the most sought-after sector in the German real estate market. Properties changed hands for a total of almost €22.9bn last year, representing an increase of 28% on the previous year.

■ Investors showed a clear focus on the top seven cities in Germany. Almost 80% of the overall transaction volume in 2015, approx. €17.8bn, was invested in these seven markets.

■ Without exception, all top seven cities witnessed an increase in volume compared to the previous year. The largest rise was recorded in Berlin. The transaction volume in the German capital doubled compared with 2014 to more than €3.8bn.

■ Investment was distributed almost equally between domestic and foreign purchasers. The vendor side showed a similar picture. The largest net investors were special funds followed by listed property companies / REITs.

■ Yields hardened on all qualities of property and location. The prime yield across the top seven markets fell by some 30 basis points to 4.1%. Yields on core-plus products (Grade B property / secondary location) hardened to a similar degree.

■ Since the market remains characterised by surplus demand, yield compression will continue until at least the mid-point of the year, particularly in the non-core segment.

Key figures and composition of transaction volume

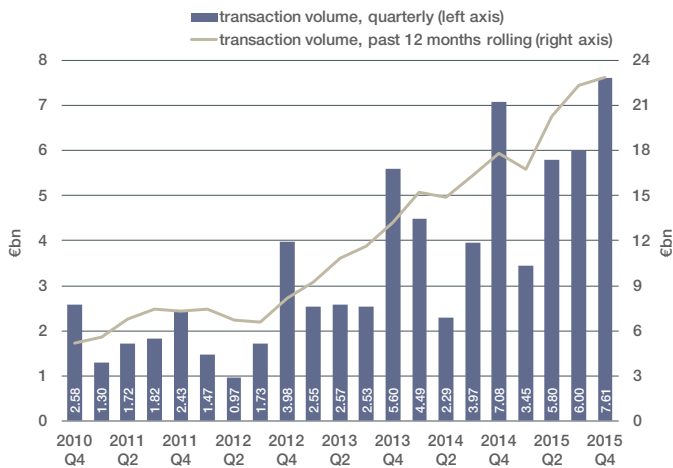
+++ Two cities with transaction volumes of more than €4bn | A-Cities in focus +++

TABLE 1
Key investment market figures

	Transaction volume (€m, 12 months rolling)			Prime yield (%)			
	Dec 2015	against Dec 2014	against Sep 2015	Dec 2015	against Dec 2014	against Sep 2015	Trend next 6 months
Berlin	3,825	+ 97%	+ 25%	3.9%	- 40bps	- 10bps	↓
Düsseldorf	1,518	+ 19%	+ 2%	4.1%	- 20bps	+/- 0bps	↓
Frankfurt	4,243	+ 39%	- 8%	4.0%	- 30bps	- 10bps	↓
Hamburg	2,570	+ 35%	- 15%	4.1%	- 20bps	+/- 0bps	↓
Cologne	918	+ 5%	- 28%	4.3%	- 30bps	- 10bps	↓
Munich	4,092	+ 38%	+ 5%	3.7%	- 30bps	- 10bps	→
Stuttgart	662	+ 26%	+ 24%	4.3%	- 40bps	+/- 0bps	↓
Top 7	17,829	+ 42%	- 0%	4.1%	- 34bps	- 4bps	↓
Germany	22,863	+ 28%	+ 2%	-	-	-	-

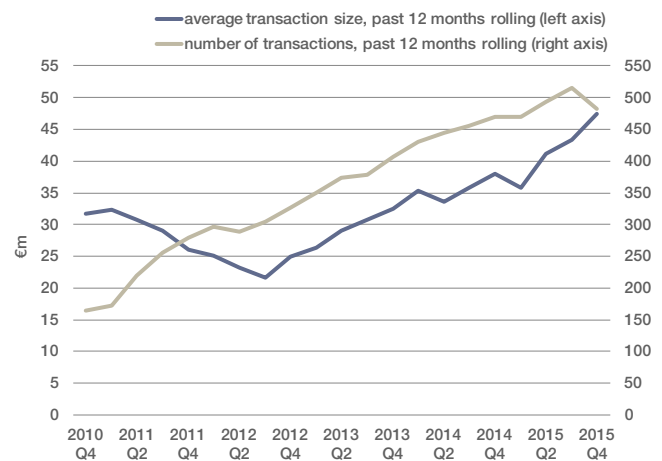
Source: Savills

GRAPH 1
Transaction volume



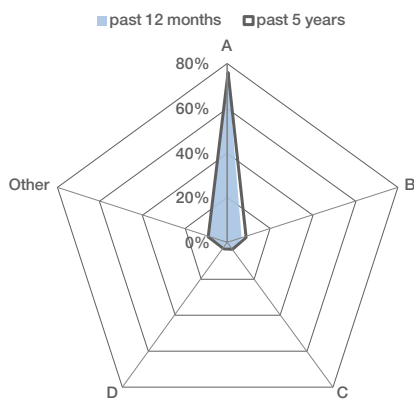
Source: Savills

GRAPH 2
Deal size and number of transactions



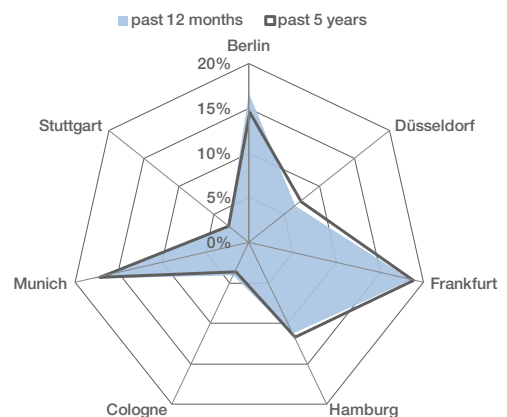
Source: Savills

GRAPH 3
Transaction volume by type of city*



Source: Savills / * based on the Bulwiengesa classification

GRAPH 4
Transaction volume by location*

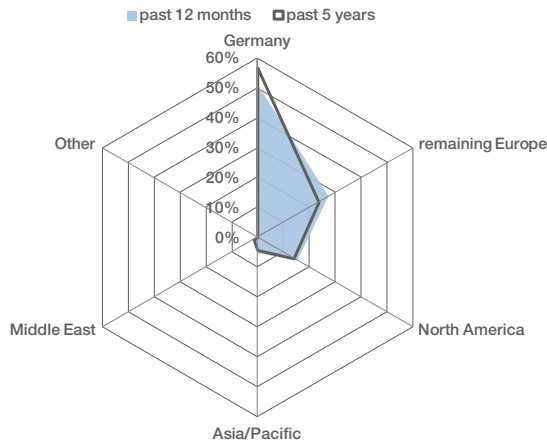


Source: Savills / * share of other locations 22% (past 12 months) and 24% (past 5 years) resp.

Investors, yields and largest transactions

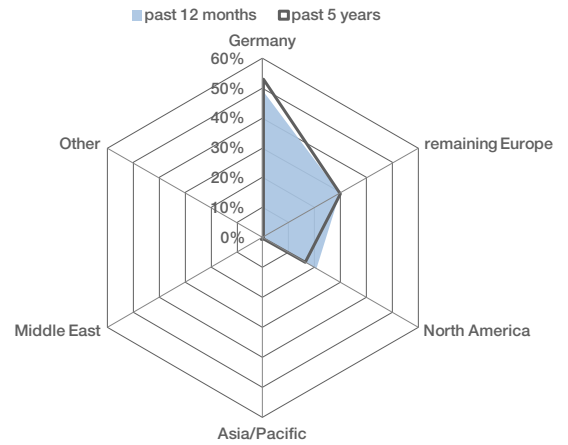
+++ Special funds the most active net buyers | Yields on decline +++

GRAPH 5
Transaction volume by origin of buyer



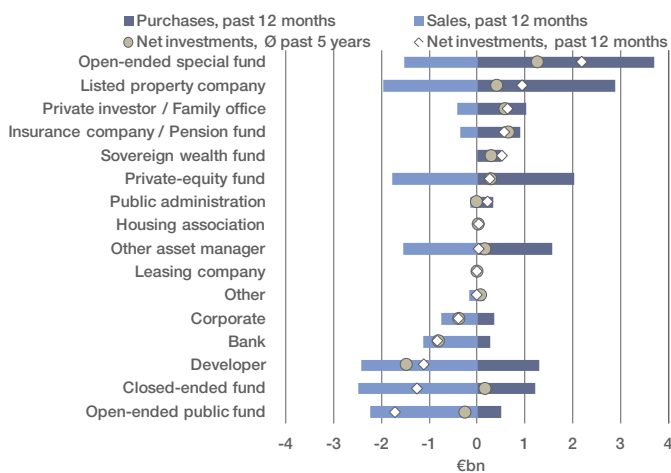
Source: Savills

GRAPH 6
Transaction volume by origin of seller



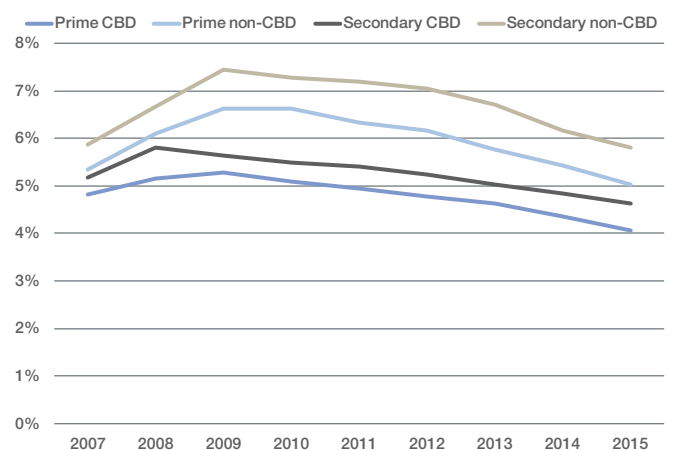
Source: Savills

GRAPH 7
Transaction volume by type of investor



Source: Savills

GRAPH 8
Yields*



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

TABLE 2
The largest transactions in Q4 2015 at a glance*

Property / Portfolio	Location(s)	Volume	Buyer	Vendor
Deutsche Office (91% share)	across Germany	approx. €1,400m	Alstria Office AG	Deutsche Office AG
Stella-Portfolio (26 properties)	across Germany	approx. €370m	Corpus Sireo / SwissLife	Deka Immobilien
Lilli-Portfolio (7 properties)	Frankfurt, Hamburg et al.	approx. €325m	Standard Life / SwissLife	Conren Land / N+1 Group
Portfolio (9 properties)	Berlin, Frankfurt et al.	approx. €260m	DIC Asset AG	DIC Asset AG / unknown Investor
Deutsche-Bank-Dreieck	Frankfurt	undisclosed	Groß & Partner	Deutsche Bank AG

Source: Savills / * only published transactions are shown

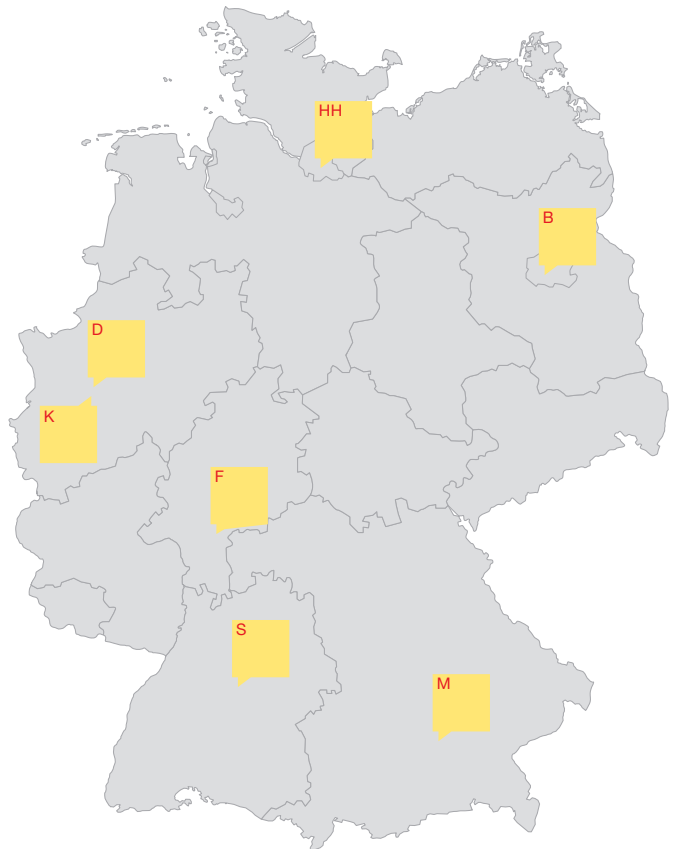
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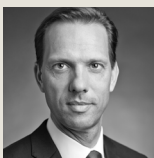
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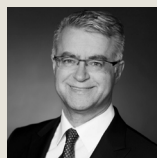


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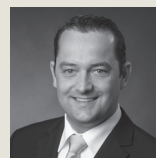
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