

Market in Minutes

Germany investment markets

Q1 2015



The facts at a glance

The trend continues: transaction volumes and prices rise further

■ The upturn in the German real estate investment market continues. Investment in residential and commercial property in the first quarter of 2015 totalled approximately €20bn. By way of reference, this is almost equivalent to the total volume in 2010.

■ While commercial property investment fell just short of the corresponding figure from the same quarter last year at approximately €9.2bn, the transaction volume in the residential portfolio market rose by more than three quarters.

■ Against a background of continued low interest rates and the ECB purchase programme, demand for real estate rose further while yield compression accelerated markedly. Yields particularly hardened outside of the core segment.

■ While the transaction volume for commercial portfolios declined year on year in the first quarter, portfolio transactions are expected to play a significant role throughout the remainder of the year.

■ In the residential portfolio market, activity is increasingly shifting to the capital markets. Some 80% of the overall transaction volume of €9.7bn in the first quarter was attributable to the acquisition of Gagfah by Deutsche Annington. Further acquisitions are likely to follow later in the year.

■ Indeed, it already appears clear that the transaction volume for 2015 will exceed last year's figure. Inflows into German residential and commercial property are expected to reach at least €60bn.

Commercial investment market Germany

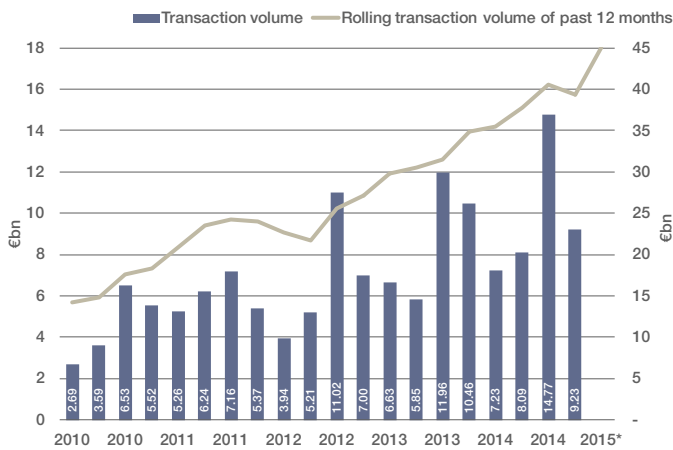
Q1 2015

TABLE 1
Key investment market figures

	Transaction volume (€m)		Dominating sector		Share of domestic investors		Office prime net initial yield		High street prime net initial yield	
	Q1 2015	y-o-y change	Sector	Share	Q1 2015	y-o-y change	Q1 2015	y-o-y change	Q1 2015	y-o-y change
Berlin	1,320	+ 114%	Retail	59%	40%	- 37%	4.2%	- 50 bps.	3.8%	- 60 bps.
Düsseldorf	177	- 66%	Office	48%	28%	+ 55%	4.2%	- 40 bps.	3.8%	- 40 bps.
Frankfurt	1,084	+ 53%	Office	78%	31%	- 54%	4.3%	- 20 bps.	3.5%	- 20 bps.
Hamburg	841	+ 60%	Office	78%	66%	+ 136%	4.2%	- 30 bps.	4.2%	- 20 bps.
Cologne	151	- 48%	Logistics	57%	36%	- 42%	4.5%	- 40 bps.	4.2%	- 20 bps.
Munich	1,124	+ 2%	Office	59%	53%	+ 17%	3.9%	- 35 bps.	3.5%	+/- 0 bps.
Stuttgart	199	+ 51%	Retail	50%	56%	- 30%	4.5%	- 30 bps.	4.2%	- 20 bps.
Germany*	9,228	- 12%	Office	36%	44%	+ 9%	4.3%	- 35 bps.	3.9%	- 26 bps.

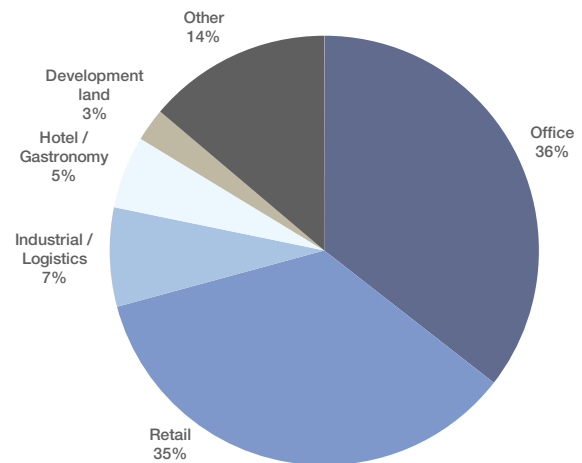
Source: Savills / * prime yields = Ø top seven

GRAPH 1
Transaction volume



Source: Savills / * forecast

GRAPH 2
Transaction volume by sector



Source: Savills

German commercial investment market in minutes

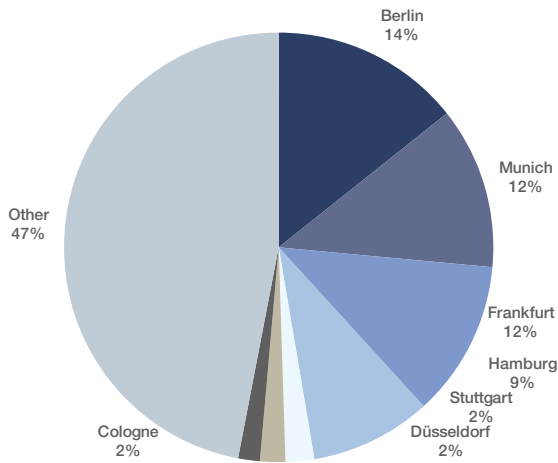
Top seven markets are benefiting from further increase in foreign investment

- The transaction volume for German commercial property in the first quarter of 2015 totalled €9.2bn, representing a decrease of 12% year on year.
- The retail property sector was particularly buoyant in the first three months of the year. The transaction volume of almost €3.3bn in the sector represents an increase of one third compared with the corresponding period last year. This significant increase is not least attributable to a number of large portfolio transactions.
- With the exception of Düsseldorf and Cologne, all top seven markets registered an increase in investment volume. The top seven markets combined accounted for 53% of overall volume. This was largely attributable to a further slight increase in the proportion of foreign investors, who accounted for 56% of the total volume (2014: 53%). For investors in other currency areas in particular, the decline in value of the euro has made German property more attractive.

Commercial investment market Germany

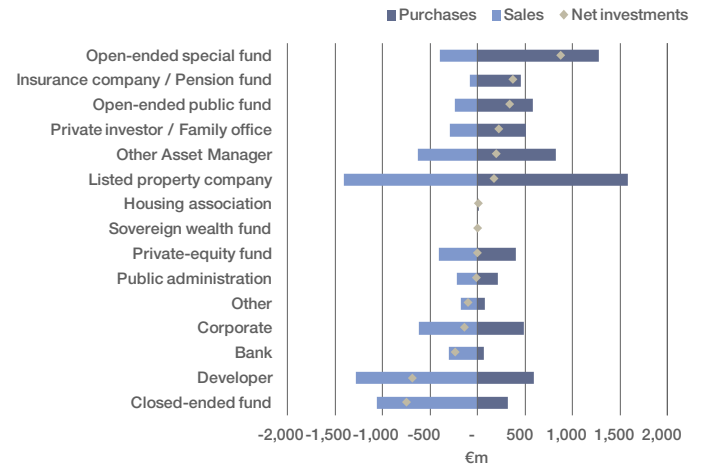
Q1 2015

GRAPH 3
Transaction volume by location



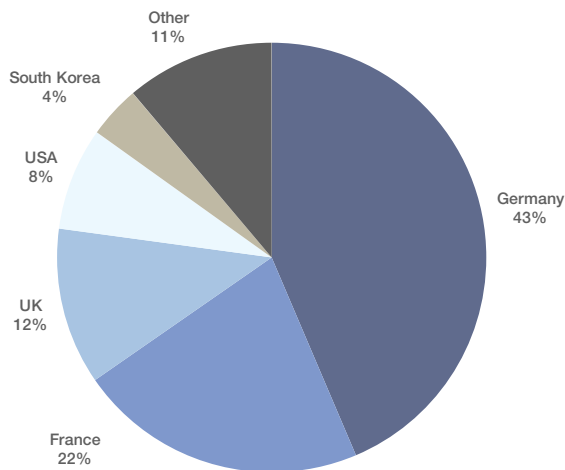
Source: Savills

GRAPH 4
Transaction volume by type of investor



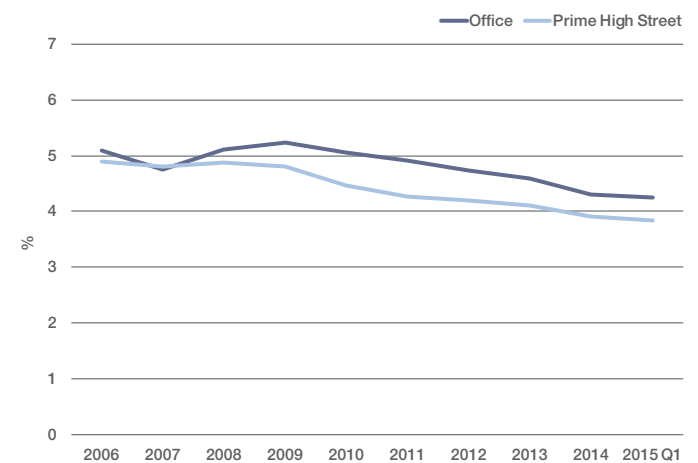
Source: Savills

GRAPH 5
Transaction volume by origin of buyer



Source: Savills

GRAPH 6
Prime yields



Source: Savills

TABLE 2
The largest transactions in Q1 2015 at a glance*

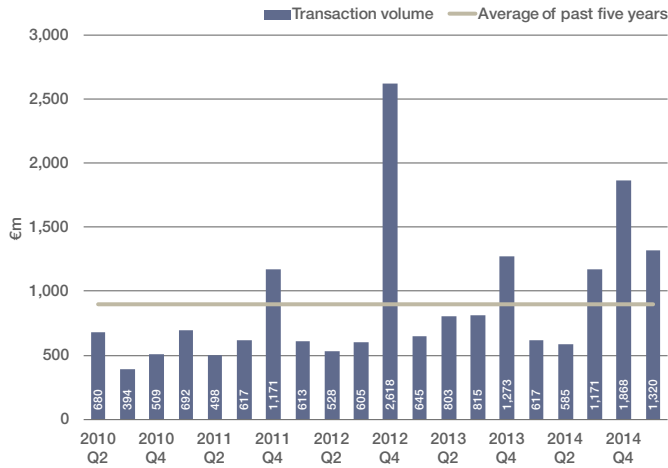
Property / Portfolio	Type of use	Location(s)	Volume	Buyer	Vendor
Corio portfolio	Retail	Berlin, Dresden, Duis-burg, Hildesheim	approx. €1,100m	Klépierre	Corio shareholder
Retail portfolio (107 properties)	Retail	across Germany	approx. €286m	Patrizia et al.	Eurocastle
"Le Méridien" Hotel	Hotel	Munich	approx. €158m	Deka	Insolvency administrator
Retail portfolio (56 properties)	Retail	across Germany	approx. €157m	Redefine	undisclosed institutional investor
Deutsche-Bank-Campus	Office	Berlin	approx. €150m	DAWM	Art-Invest

Source: Savills / * only published transactions are shown

Commercial investment market Berlin

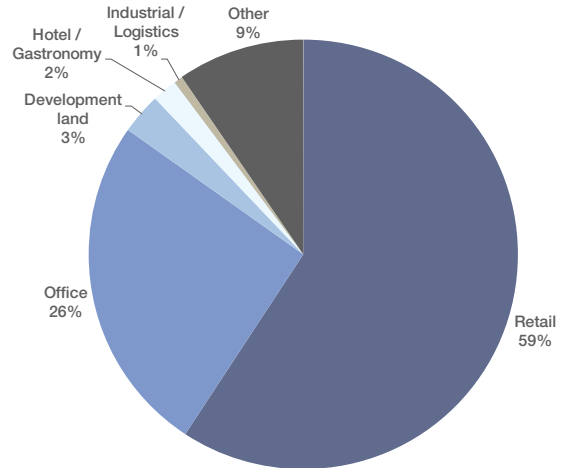
Q1 2015

GRAPH 7
Transaction volume



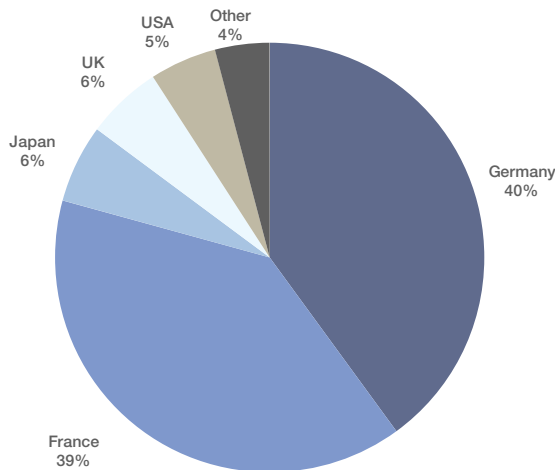
Source: Savills

GRAPH 8
Transaction volume by sector



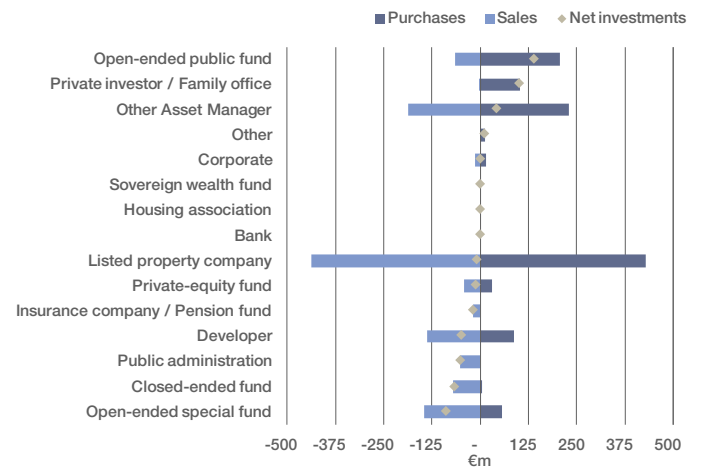
Source: Savills

GRAPH 9
Transaction volume by origin of buyer



Source: Savills

GRAPH 10
Transaction volume by type of investor



Source: Savills

Berlin market in minutes

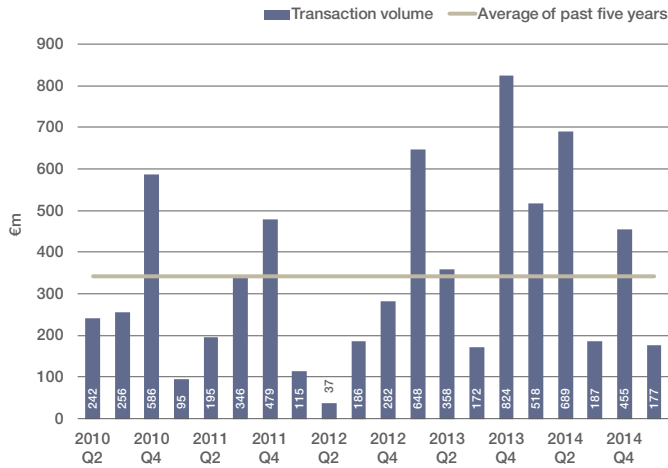
Highest Q1 transaction volume of all time - yield compression continues

- Slightly more than €1.3bn was invested in commercial property in Berlin in Q1 15; the highest ever volume in the first three months of a year.
- Retail property dominated transaction activity in the first quarter. Four of the five largest transactions were attributable to the retail sector. Inflows into retail property totalled almost €800m compared with just approximately €50m in the corresponding period last year. Almost €340m was invested in office property; some 11% less than in the corresponding quarter last year.
- In the office sector, investors' increased appetite for risk has brought secondary locations increasingly into the spotlight. The increased activity in secondary locations is also reflected in yield movements. While the prime CBD office yield fell by just 10 basis points to 4.2% during the first quarter, the net initial yield on prime properties in non-CBD locations hardened by 30 basis points to 4.9%.

Commercial investment market Düsseldorf

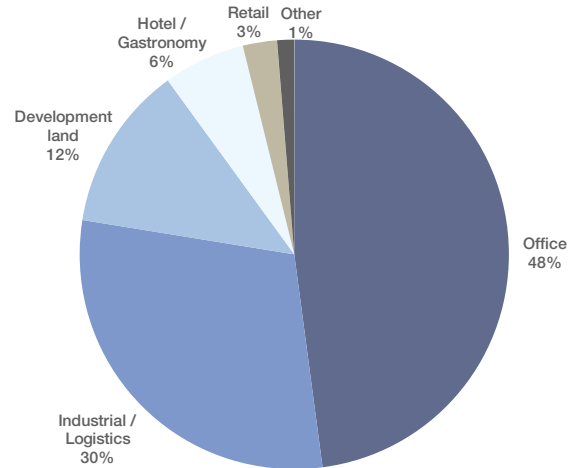
Q1 2015

GRAPH 11 Transaction volume



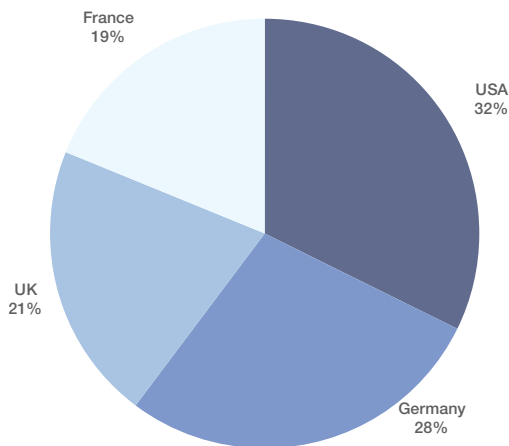
Source: Savills

GRAPH 12 Transaction volume by sector



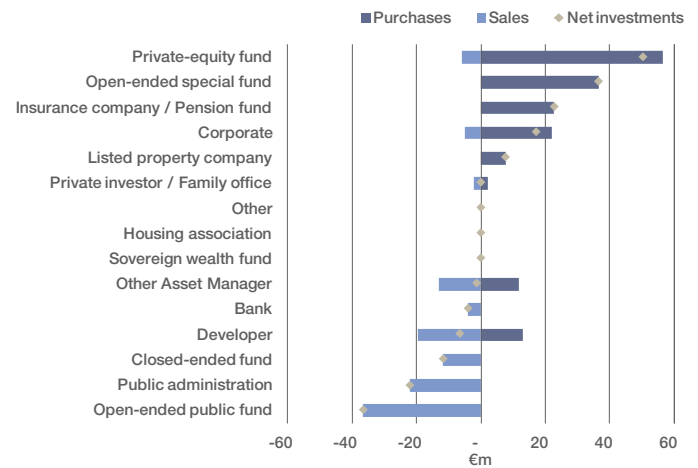
Source: Savills

GRAPH 13 Transaction volume by origin of buyer



Source: Savills

GRAPH 14 Transaction volume by type of investor



Source: Savills

Düsseldorf market in minutes

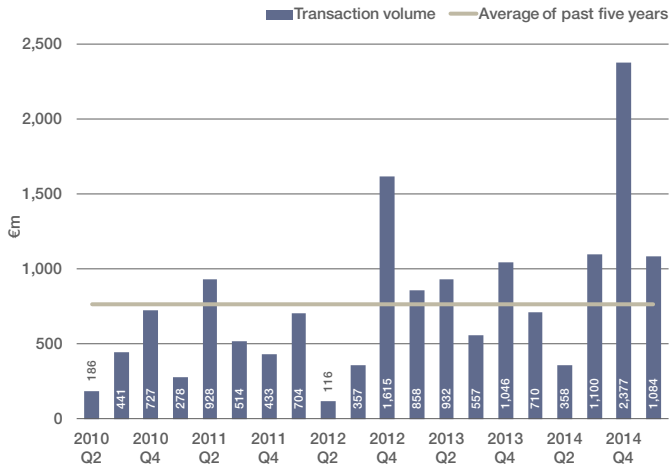
Smaller transactions mean lower volume at the start of the year

- Commercial property changed hands for a total of €180m in Düsseldorf in the first quarter of 2015, representing a decline in volume of two thirds compared with the corresponding quarter last year.
- A significant reason for the decrease in transaction volume was a lack of any transactions over €100m and only a small number of disposals in excess of €10m.
- In view of the persisting lack of large (core) properties, investors are increasingly shifting their attention to other market segments. One of the submarkets benefiting from investors' increased risk tolerance is the Seestern district. There were a number of smaller transactions in the submarket in recent months. For core investors, on the other hand, Airport City remains one of the preferred submarkets. The location is highly valued by occupiers, which in turn makes it more attractive to the investment market.

Commercial investment market Frankfurt

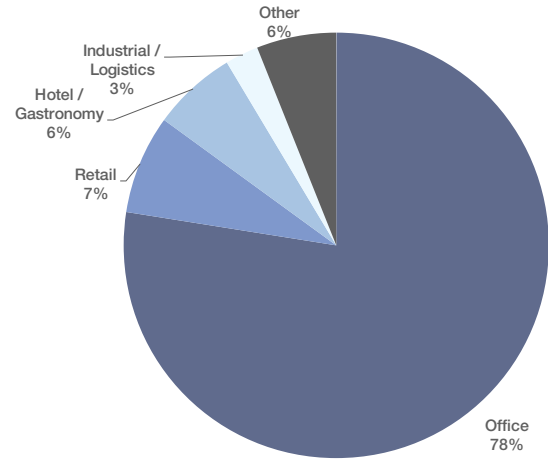
Q1 2015

GRAPH 15 Transaction volume



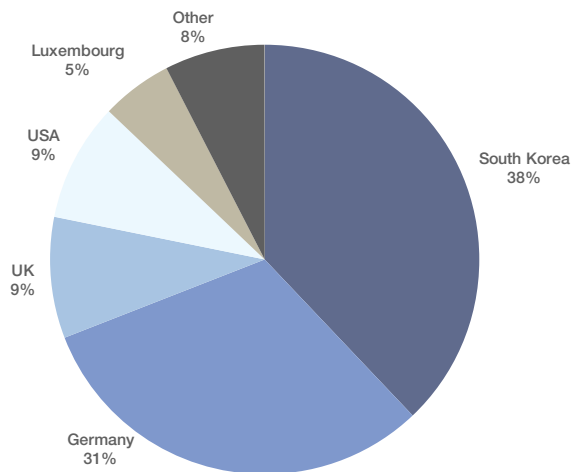
Source: Savills

GRAPH 16 Transaction volume by sector



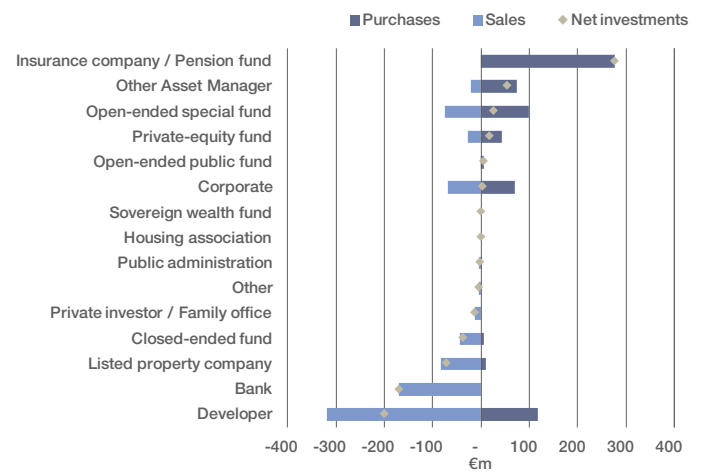
Source: Savills

GRAPH 17 Transaction volume by origin of buyer



Source: Savills

GRAPH 18 Transaction volume by type of investor



Source: Savills

Frankfurt market in minutes

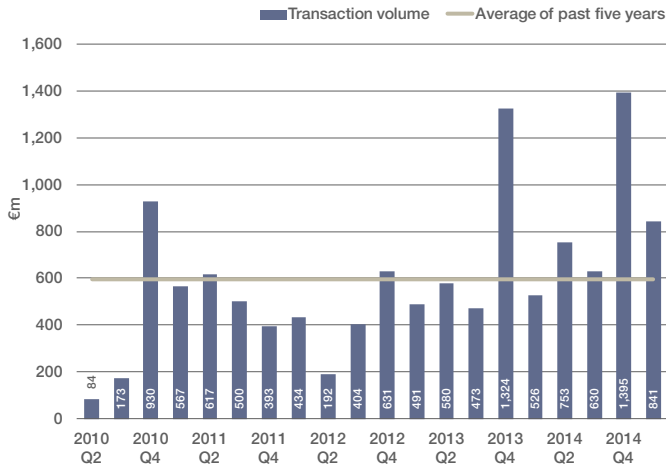
Surplus demand maintains pressure on initial yields

- The Frankfurt commercial property investment market started the year with a significant rise in volume. Commercial property changed hands for a total of almost €1.1bn in the first quarter of the year. This represents a 53% increase in transaction volume compared with the corresponding quarter last year.
- The risk tolerance of investors has risen further and requirement profiles are now somewhat broadly defined. Major investment managers in particular are regularly receiving new instructions and widening their search profiles.
- Owing to the high pressure to invest and the surplus demand in all areas, yields remain under pressure. While yield compression paused in the first quarter, yields are expected to harden slightly further across all sectors and all risk categories during the remainder of the year. As a result, the prime office yield, which stood at 4.3% at the end of March, is likely to reach the 4% mark by the end of the year.

Commercial investment market Hamburg

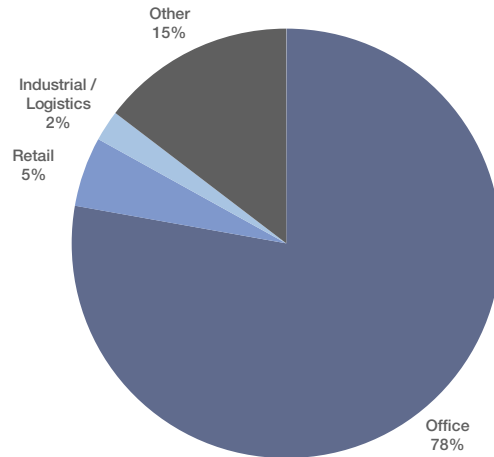
Q1 2015

GRAPH 19 Transaction volume



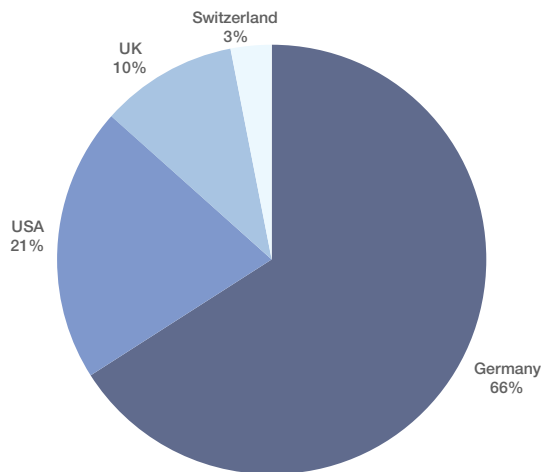
Source: Savills

GRAPH 20 Transaction volume by sector



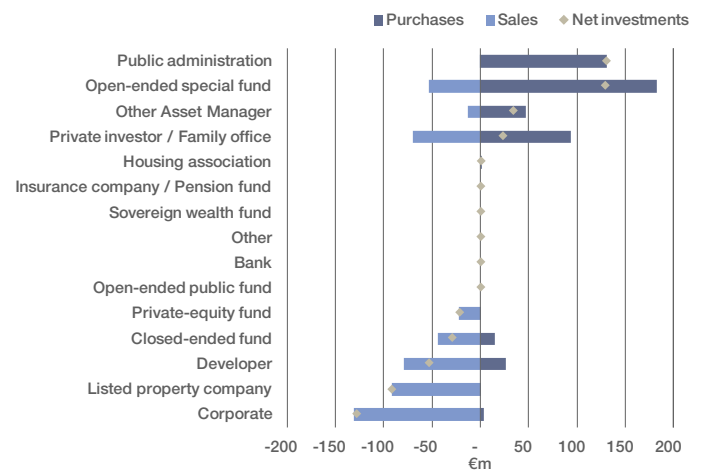
Source: Savills

GRAPH 21 Transaction volume by origin of buyer



Source: Savills

GRAPH 22 Transaction volume by type of investor



Source: Savills

Hamburg market in minutes

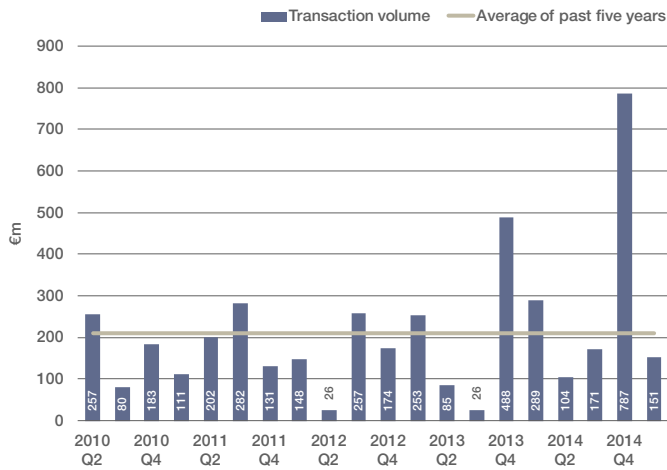
Office investments dominate strong Q1 investment volume

- Investment in commercial property in Hamburg totalled more than €800m in the first quarter of the year; an increase of 60% compared with the corresponding period last year.
- The first quarter was dominated by office investment transactions. Almost €700m was invested in the sector, giving office property a market share of almost 80% during the start to the year. The largest transactions included the acquisition of part of the Axel Springer office building on Caffamacherreihe, which runs through the centre of Hamburg. This was also one of the few transactions completed in the city centre.
- The HafenCity and City South submarkets particularly dominated investment market activity in the first quarter. Three properties changed hands in both submarkets. The prospects for the area between the City and HafenCity submarkets are also interesting.

Commercial investment market Cologne

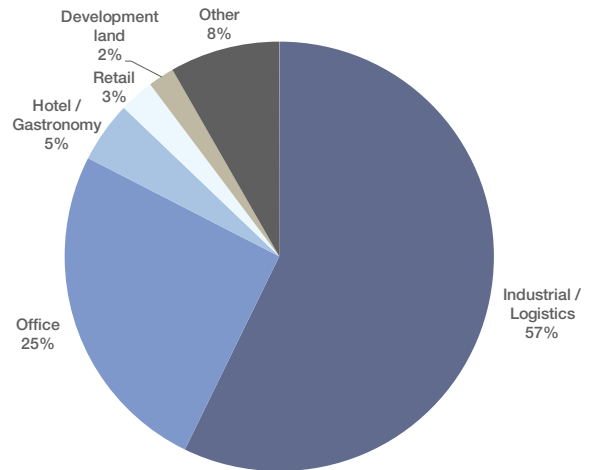
Q1 2015

GRAPH 23
Transaction volume



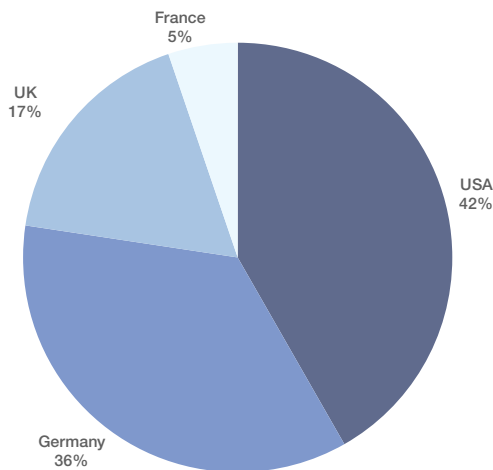
Source: Savills

GRAPH 24
Transaction volume by sector



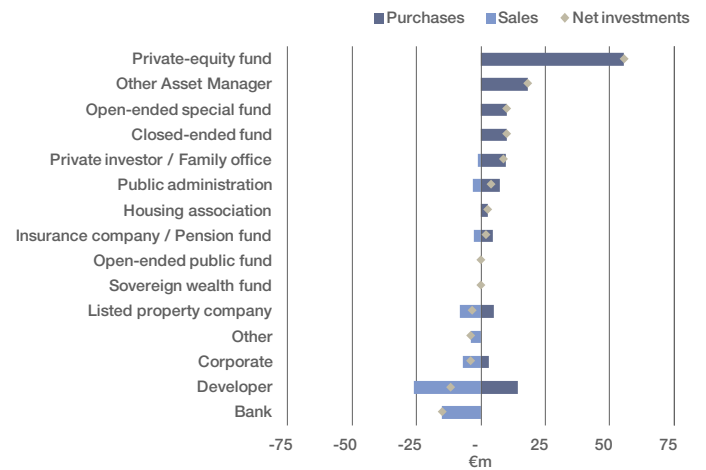
Source: Savills

GRAPH 25
Transaction volume by origin of buyer



Source: Savills

GRAPH 26
Transaction volume by type of investor



Source: Savills

Cologne market in minutes

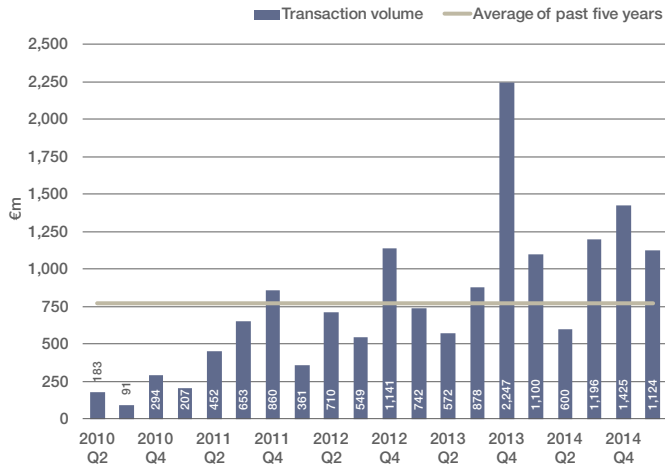
Predominantly small transactions outside of the city centre

- Slightly more than €150m was invested in commercial property in Cologne during the first three months of the year. This represents a 48% decrease in transaction volume compared with the corresponding quarter last year.
- The significant decline is not least attributable to a lack of large transactions. There were only a few disposals in excess of €10m during the first quarter and no transactions at all above €100m.
- A further reason for the relatively low investment volume is the lack of transactions in the city centre with very few properties on the market. Consequently, there is all the more activity in locations close to the city centre such as Deutz. The largest transaction in this submarket was the acquisition of the Cologne Office Center by Schroders for almost €20m.

Commercial investment market Munich

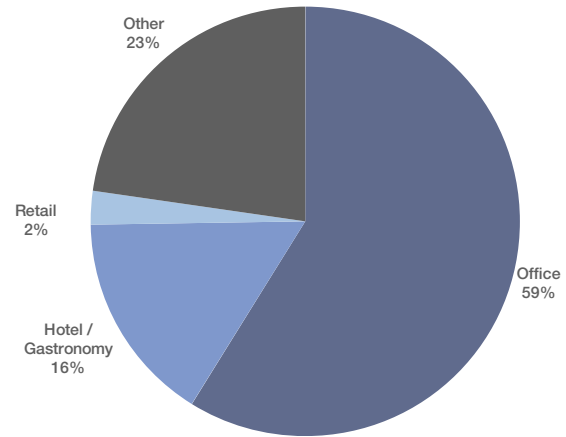
Q1 2015

GRAPH 27
Transaction volume



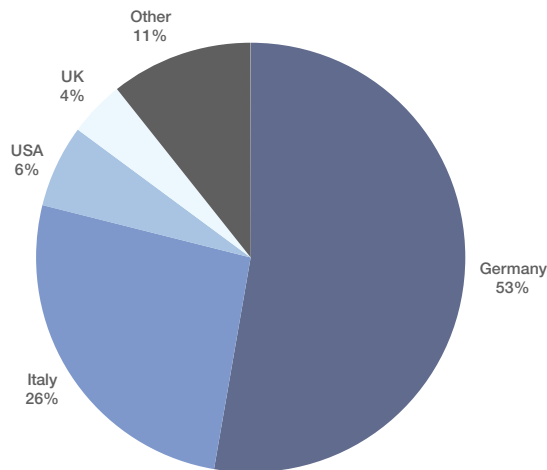
Source: Savills

GRAPH 28
Transaction volume by sector



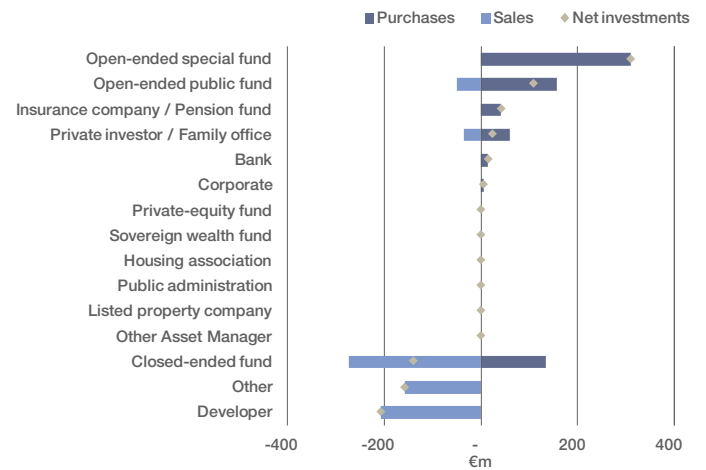
Source: Savills

GRAPH 29
Transaction volume by origin of buyer



Source: Savills

GRAPH 30
Transaction volume by type of investor



Source: Savills

Munich market in minutes

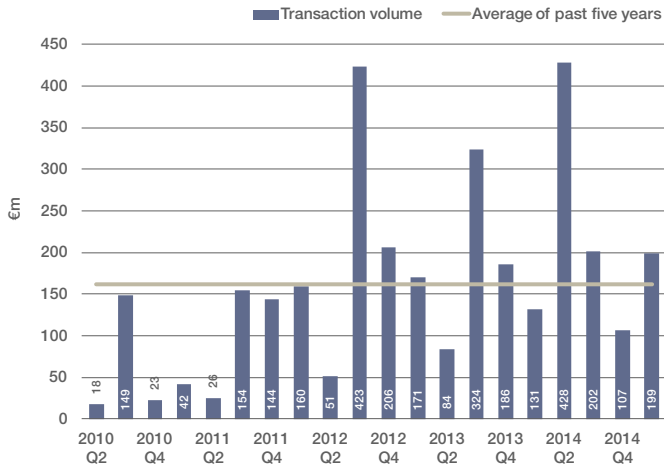
Munich remains the first choice for core investors

- The transaction volume in Munich's commercial property investment market exceeded the €1bn mark once again in the first quarter of 2015 for the third quarter in succession. A total of more than €1.1bn was invested during the first three months of the year, representing an increase of 2% compared with the corresponding quarter last year.
- With few properties on the market in central locations in particular, investors are increasingly shifting their attention to peripheral locations and Munich's surrounding areas. One such transaction was the acquisition of the Twin Yards in Schwabing by WealthCap. There were also transactions in Laim and Riem during the first quarter.
- This shift in focus to B locations is also reflected in yield movements. The net initial yield for prime office properties in non-CBD locations hardened by 20 basis points to 5.7% compared with the fourth quarter of 2014.

Commercial investment market Stuttgart

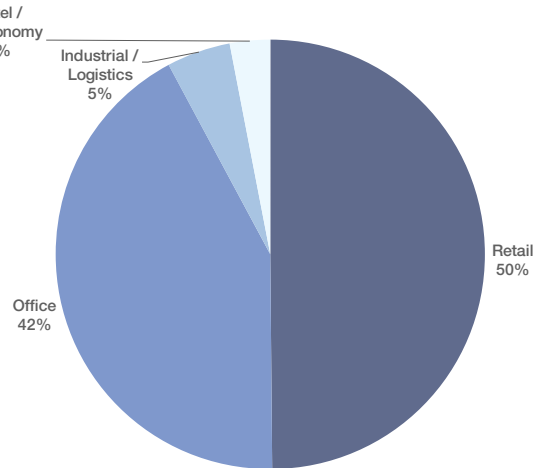
Q1 2015

GRAPH 31 Transaction volume



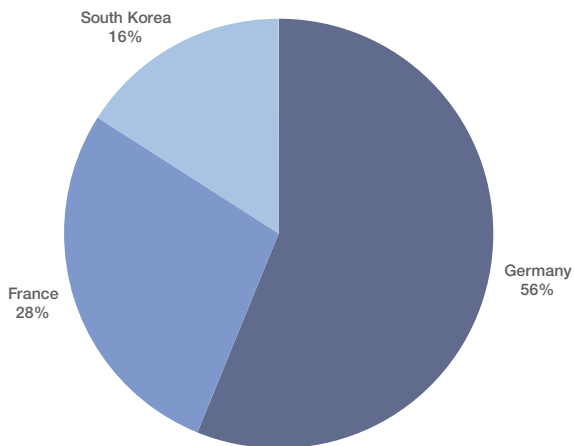
Source: Savills

GRAPH 32 Transaction volume by sector



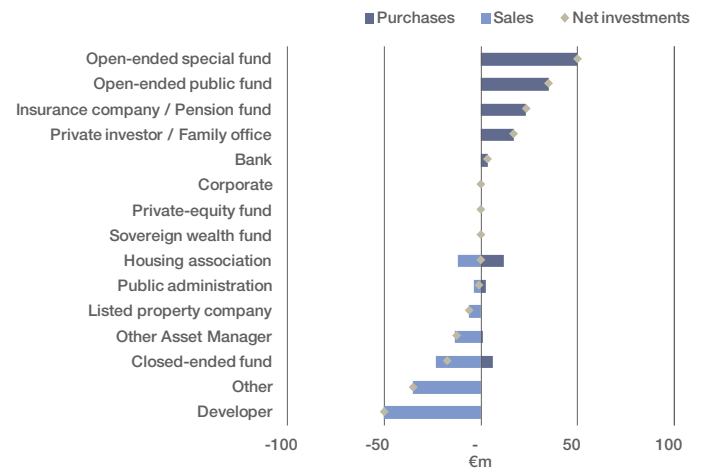
Source: Savills

GRAPH 33 Transaction volume by origin of buyer



Source: Savills

GRAPH 34 Transaction volume by type of investor



Source: Savills

Stuttgart market in minutes

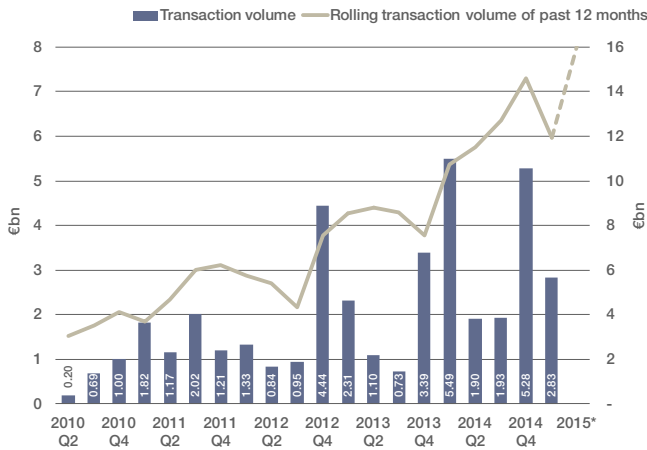
Rising investment interest particularly from countries outside the euro

- Some €200m was invested in commercial property in Stuttgart in the first three months of the year; an increase of almost €70m compared with the corresponding period last year.
- Although domestic purchasers dominated in the first quarter with 56% of the overall transaction volume, there is increasing interest from foreign investors. French investors were particularly active during the first three months, representing the largest foreign investor group with 21% of the overall transaction volume.
- Growing activity is expected from investors outside of the eurozone, particularly from the UK, Switzerland and the USA, throughout the remainder of the year. Investors from these countries may particularly find opportunities among properties on the market for in excess of €50m as the decline in value of the euro against other currencies enables them to offer higher prices.

Commercial portfolio investment market Germany

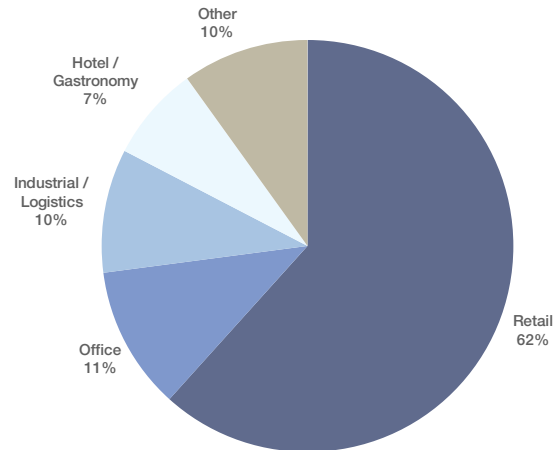
Q1 2015

GRAPH 35 Transaction volume and number of deals*



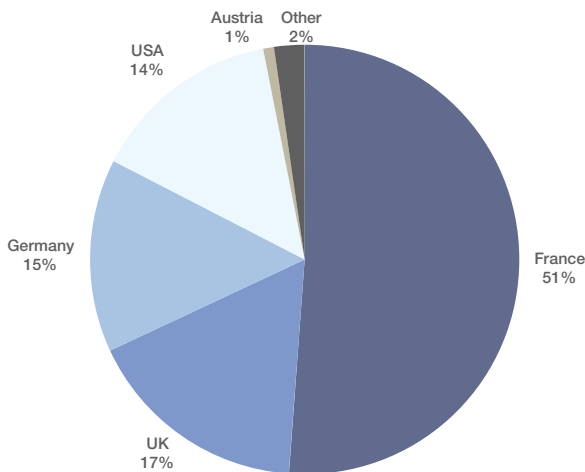
Source: Savills / * forecast

GRAPH 36 Transaction volume by sector



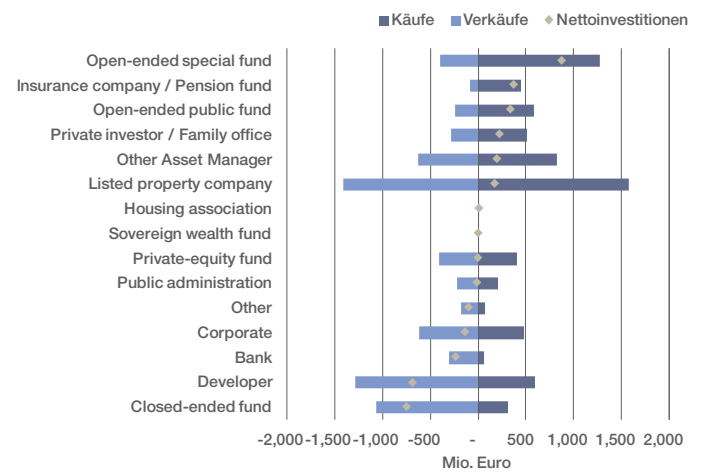
Source: Savills

GRAPH 37 Transaction volume by origin of buyer



Source: Savills

GRAPH 38 Transaction volume by type of investor



Source: Savills

German commercial portfolio market in minutes

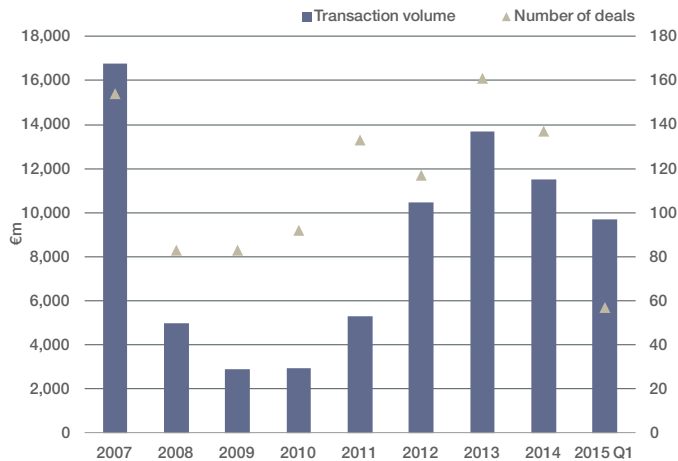
Retail property portfolios dominate the start to the year

- The transaction volume in the German commercial property portfolio market exceeded €2.8bn in the first quarter of the year. This represents a decrease of 48% compared with the corresponding quarter last year but is 40% greater than the average quarterly volume over the last five years.
- Market activity during the first three months of the year was particularly characterised by retail portfolios. Ten of the 33 transactions were attributable to the retail property sector, including the largest deal in the acquisition of Corio by Klépierre. Consequently, retail property accounted for 62% of the overall transaction volume.
- Office property portfolios accounted for just 11%. However, the proportion of investment volume attributable to office property is expected to increase significantly over the course of the year as the majority of portfolios on the market are office portfolios.

Residential portfolio investment market Germany

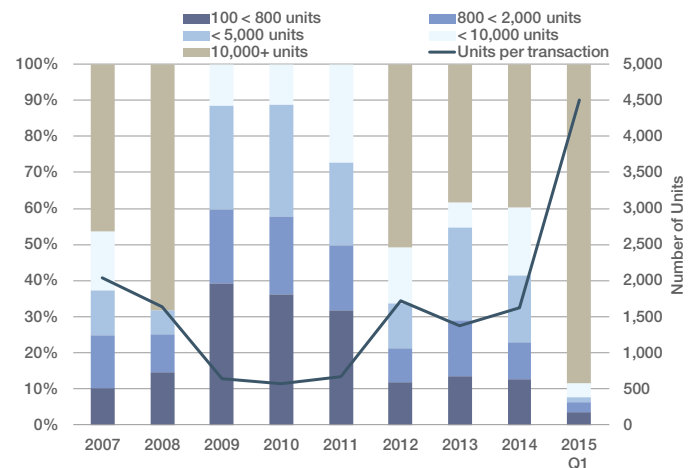
Q1 2015

GRAPH 39
Transaction volume and number of deals*



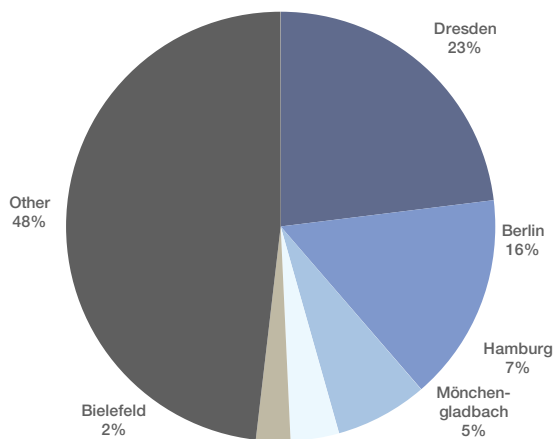
Source: Savills / * portfolios with at least 100 units each

GRAPH 40
Size of portfolios transacted



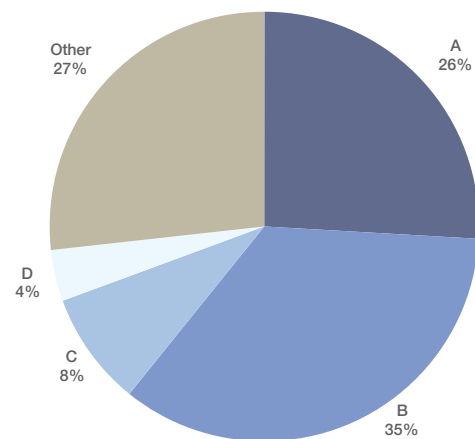
Source: Savills

GRAPH 41
Transacted units by location



Source: Savills

GRAPH 42
Transacted units by type of city*



Source: Savills / * based on the Bulwiengesa classification

German residential portfolio market in minutes

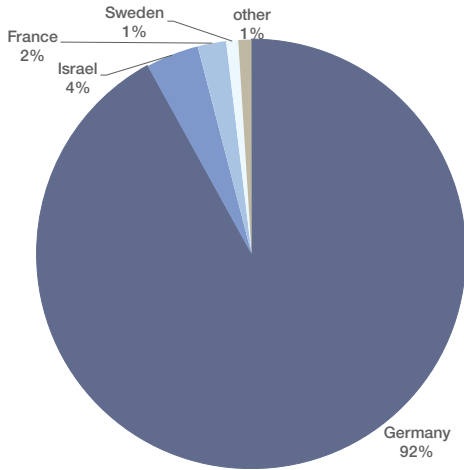
New record transaction volume foreseeable for 2015

- Residential property portfolios changed hands for almost €9.7bn during the first three months of 2015. This represents an increase of 76% compared with the corresponding period last year, although more than 80% of the transaction volume in the first quarter of 2015 was attributable to the acquisition of Gagfah by Deutsche Annington.
- Since several further mergers or acquisitions are expected during the remainder of the year, 2015 is likely to witness a new record transaction volume in the residential portfolio market, with more than half of this volume attributable to capital market transactions.
- Overall, residential portfolios changed hands in more than fifty towns and cities including Gelsenkirchen, Halle (Saale) and Zwickau, all of which have rather unfavourable population projections. This demonstrates that at least some investors have a rather high risk tolerance.

Residential portfolio investment market Germany

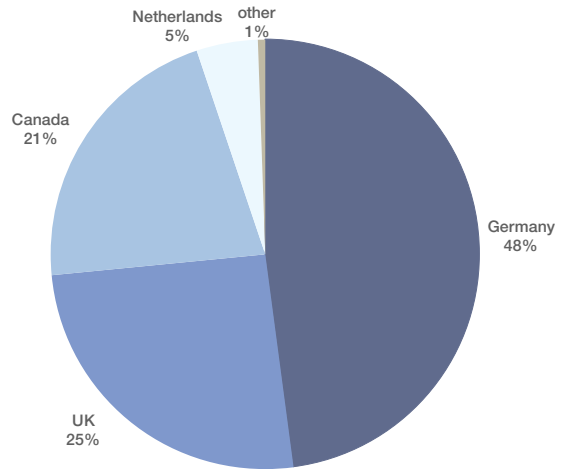
Q1 2015

GRAPH 43
Transaction volume by origin of buyer



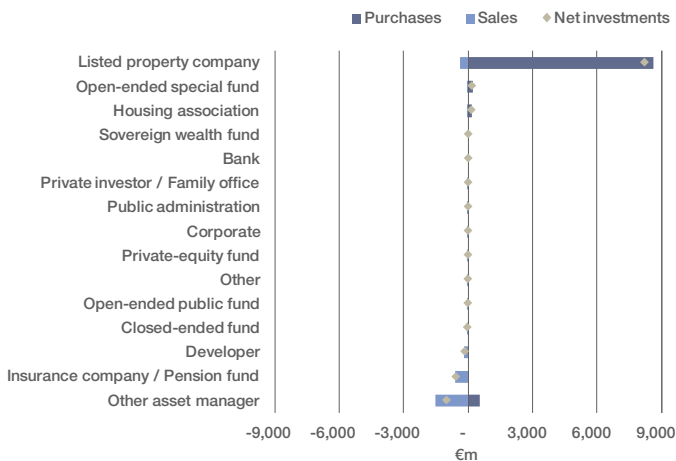
Source: Savills

GRAPH 44
Transaction volume by origin of seller



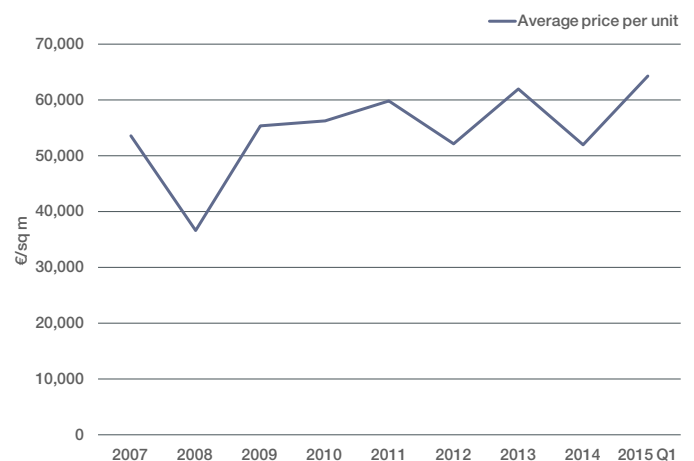
Source: Savills

GRAPH 45
Transaction volume by type of investor



Source: Savills

GRAPH 46
Development of prices*



Source: Savills / * for portfolios with at least 100 units each

TABLE 3
The largest residential portfolio transactions in Q1 2015 at a glance*

Portfolio	Number of units	Volume	Buyer	Vendor
Gagfah	ca. 135,500	approx. €8,100m	Deutsche Annington	Gagfah shareholder
-	ca. 5,800	approx. €380m	ADO Group	Deutsche Wohnen
-	ca. 2,000	approx. €240m	Foncière des Régions	unknown investor
-	ca. 1,700	approx. €180m	Immeo Wohnen	EB Group
-	ca. 900	approx. €80m	Akelius	Mähren Gruppe

Source: Savills / * only published transactions are shown

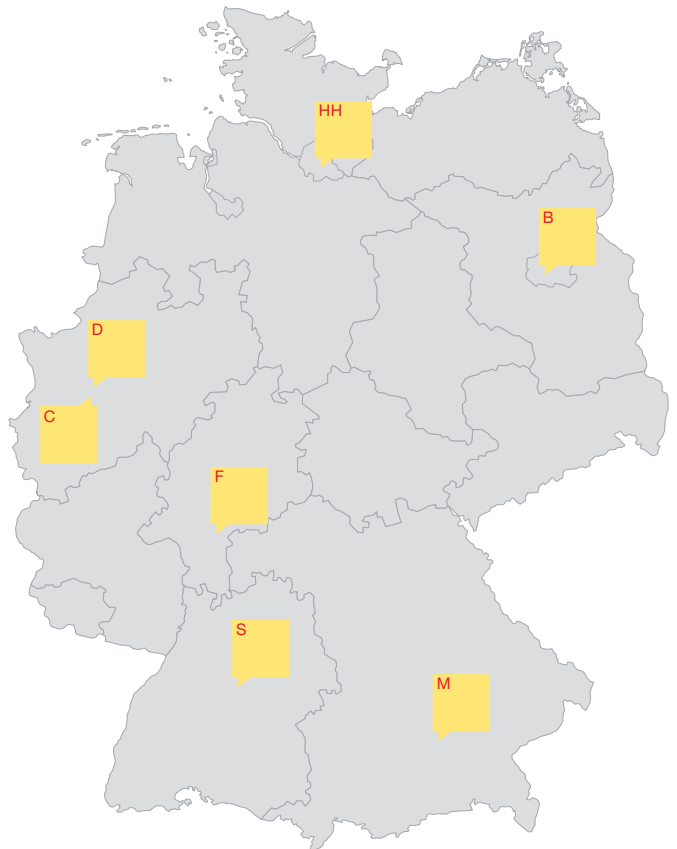
Savills Germany

Savills is present in Germany with around 160 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. Today Savills provides expertise and market transparency to its clients in the following areas of activity:

Our services

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- » Corporate Finance - Valuation
- » Leasing of office and retail buildings
- » Leasing and sale of industrial and warehouse properties
- » Corporate Real Estate Services

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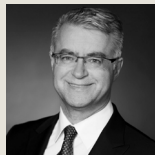


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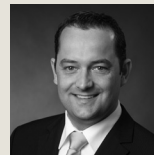
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