

Market in Minutes

Germany investment markets

Q3 2015



The facts at a glance

Investment market boom continues in the third quarter - new annual record possible

■ The rally in the German commercial investment market continued in the third quarter of the year. More than €56bn was invested in commercial property and residential portfolios during the first three quarters.

■ The transaction volume for commercial property totalled €37.9bn to the end of September, representing an increase of 46% compared with the same period last year. Residential portfolios accounted for investment totalling almost €18.4bn during the same period (+81% compared with Q3 14).

■ The fact that the low interest rate policy is now likely to be maintained for longer than expected, combined with the turbulence in the financial markets and the continued good health of the German economy, means that increasing numbers of investors are interested in investing in German commercial property. Office and retail property remain a primary focus for purchasers, accounting for inflows of €15.3bn and €15.1bn respectively.

■ In the residential portfolio market, the majority of transaction activity is shifting towards company acquisitions. In contrast, the number of large asset deals is declining.

■ The sustained low interest rate environment, volatility in the equity and bond markets and geopolitical flashpoints are likely to drive further capital into the safe haven of German real estate. Consequently, the residential market will and the commercial market could end the year with a new record transaction volume.

Commercial investment market Germany

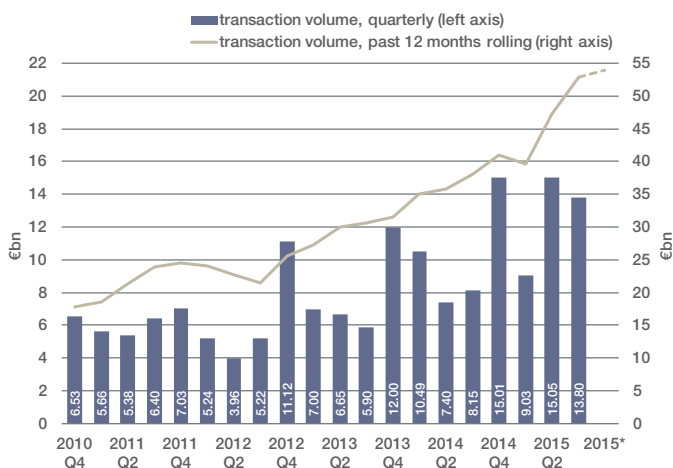
+++ Transaction volume +46% | Retail investment volume increases by 123% +++

TABLE 1
Key investment market figures

	Transaction volume (€m)				Share of domestic investors		Office prime net initial yield		High street prime net initial yield	
	Q3 2015	y-o-y change	12 months rolling	q-o-q change	12 months rolling	q-o-q change	Q3 2015	q-o-q change	Q3 2015	q-o-q change
Berlin	4,685	+ 97%	6,644	+ 8%	53%	+ 16%	4.0%	- 10bps	3.6%	- 10bps
Düsseldorf	1,944	+ 38%	2,395	+ 81%	29%	- 10%	4.1%	+/- 0bps	3.8%	+/- 0bps
Frankfurt	4,121	+ 86%	6,523	+ 4%	57%	- 4%	4.1%	+/- 0bps	3.5%	+/- 0bps
Hamburg	3,351	+ 75%	4,755	+ 19%	45%	+ 35%	4.1%	+/- 0bps	3.7%	- 30bps
Cologne	1,120	+ 84%	1,907	+ 16%	32%	- 2%	4.4%	+/- 0bps	4.1%	+/- 0bps
Munich	3,837	+ 33%	5,262	+ 6%	41%	- 8%	3.8%	+/- 0bps	3.5%	+/- 0bps
Stuttgart	938	+ 23%	1,080	+ 10%	51%	+ 5%	4.3%	- 20bps	4.0%	- 20bps
Germany*	37,883	+ 46%	52,894	+ 12%	46%	+ 13%	4.1%	-5bps	3.7%	-9bps

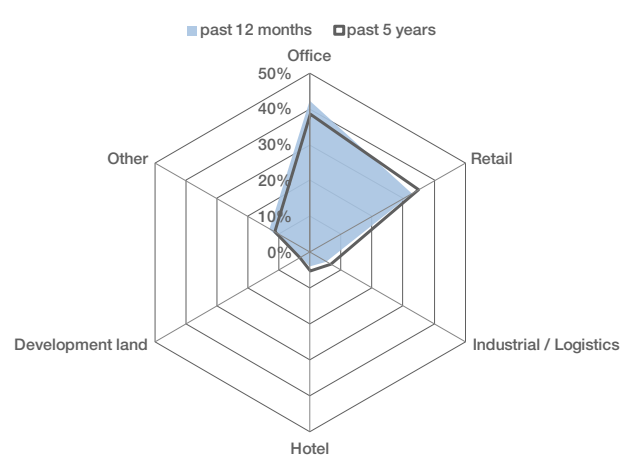
Source: Savills / * prime yields = average of Top 7 markets

GRAPH 1
Transaction volume



Source: Savills / * forecast

GRAPH 2
Transaction volume by sector



Source: Savills

German commercial investment market in minutes

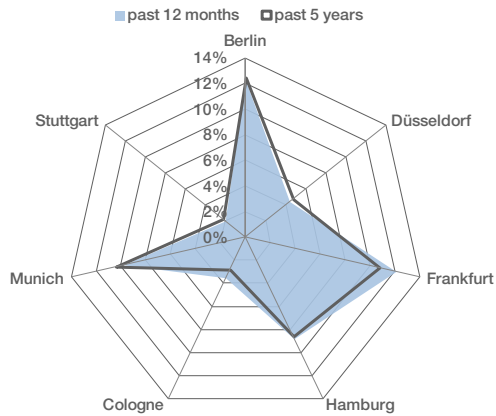
Demand and prices rise further

- The transaction volume for German commercial property totalled almost €52.9bn during the 12 months to September 2015, representing an increase of 12% compared with the 12-month volume to June 2015.
- Compared with the corresponding period last year, retail property has particularly increased in popularity with investors during the year to date. More than €15.1bn has been invested in the sector thus far, representing an increase of 123% year on year. However, office property was the number one sector in terms of transaction volume, accounting for investments totalling more than €15.3bn.
- In view of the sustained high demand and the fact that there is a large amount of product on the market, particularly in the retail sector, the transaction volume is likely to significantly exceed the €50bn mark by the end of the year and may even surpass the record of €55bn from 2007.

Commercial investment market Germany

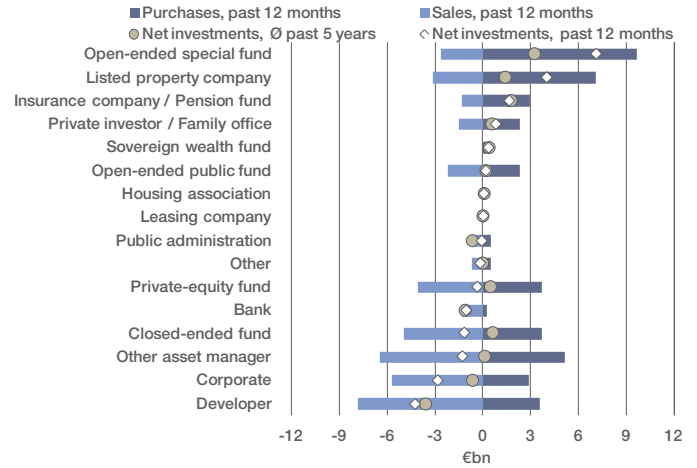
+++ Special funds largest net investors | Prime yields decreased further +++

GRAPH 3
Transaction volume by location



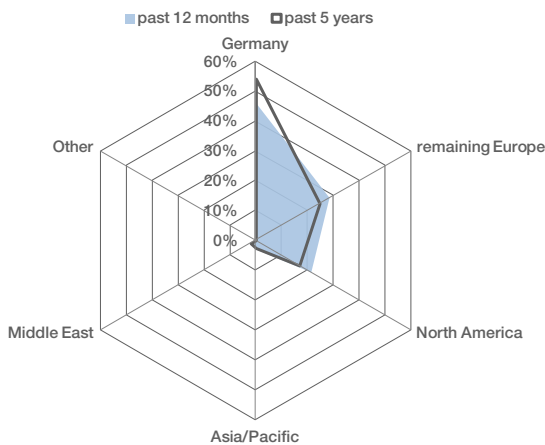
Source: Savills / * share of other locations 47% (past 12 months) and 48% (past 5 years) resp.

GRAPH 4
Transaction volume by type of investor



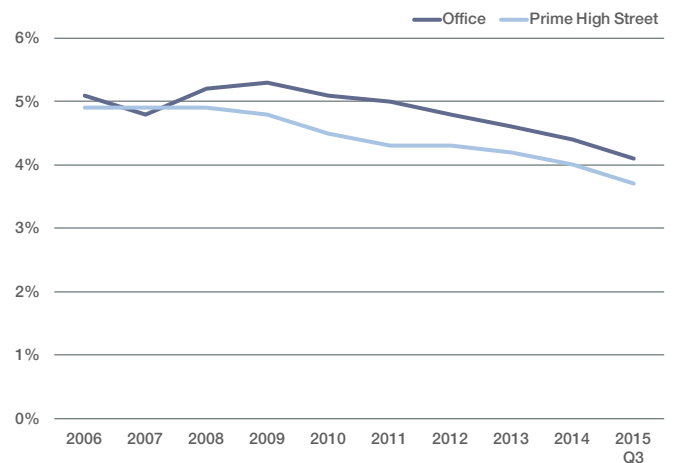
Source: Savills

GRAPH 5
Transaction volume by origin of buyer



Source: Savills

GRAPH 6
Prime yields



Source: Savills

TABLE 2
The largest transactions in Q3 2015 at a glance*

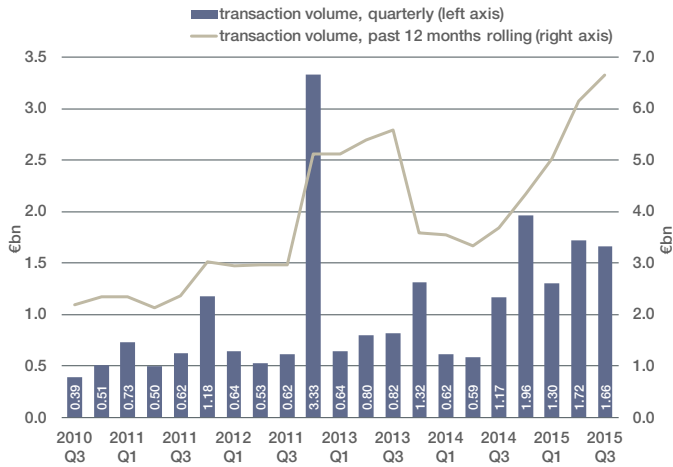
Property / Portfolio	Type of use	Location(s)	Volume	Buyer	Vendor
Retail Shop Portfolio	Retail	across Germany	approx. €700m	Deka	D&R Invest
The Q.	Retail	Berlin	approx. €335m	Tishman Speyer	Banif / Ponte Gadea
Burstah Ensemble	Retail	Hamburg	undisclosed	Commerz Real AG	Quantum Immobilien AG
Berliner Tor Center	Office	Hamburg	undisclosed	Zurich	Morgan Stanley Real Estate
Bilker Arkaden	Retail	Düsseldorf	undisclosed	Hines	Ivanhoe Cambridge Europe

Source: Savills / * only published transactions are shown

Commercial investment market Berlin

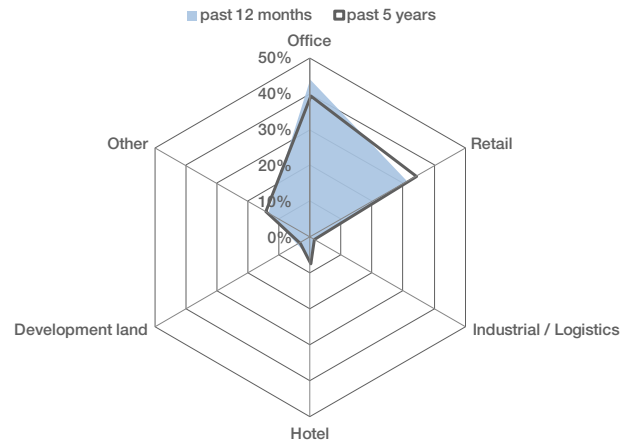
+++ Transaction volume 12M +8% | Prime office yield with 10 bps decrease +++

GRAPH 7
Transaction volume



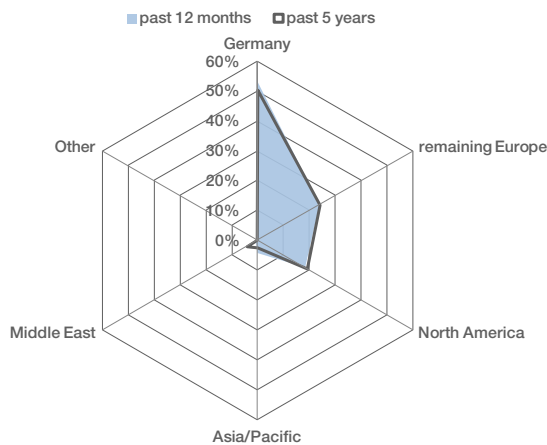
Source: Savills

GRAPH 8
Transaction volume by sector



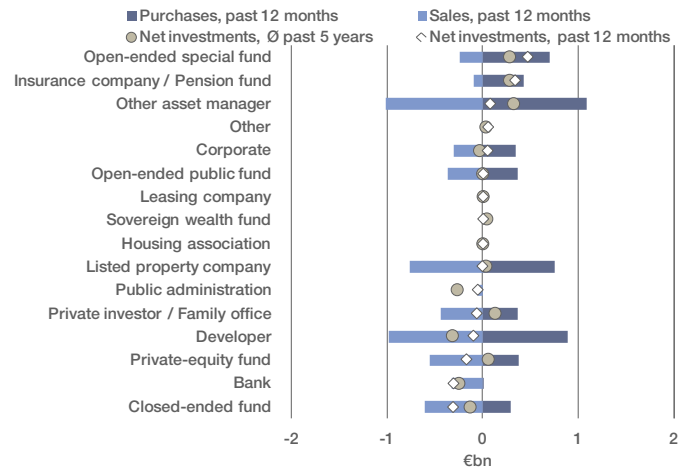
Source: Savills

GRAPH 9
Transaction volume by origin of buyer



Source: Savills

GRAPH 10
Transaction volume by type of investor



Source: Savills

Berlin market in minutes

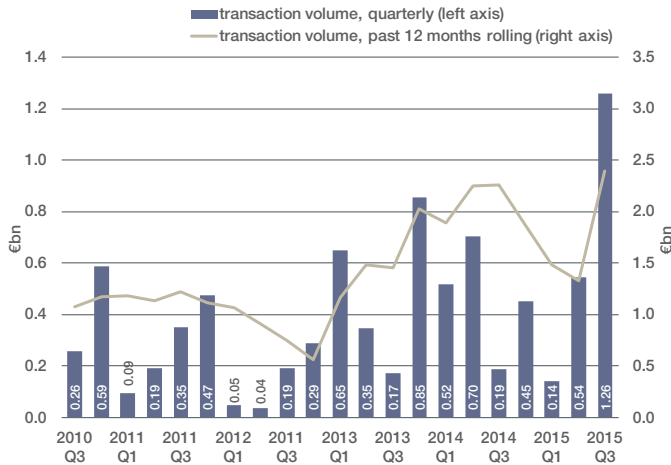
Berlin consolidates position as the real estate capital

- More than €6.7bn was invested in commercial property in the German capital during the 12 months to September 2015. This represents an increase of almost 9% on the 12-month volume to the end of the second quarter.
- The heterogeneity of Berlin creates a diversity of product and locations, making the city highly appealing to investors with a range of strategies. German purchasers dominated transaction activity throughout the first three quarters, accounting for some 55% of the transaction volume (Q3 14: 42%).
- Office and retail property were a primary focus for investors during the first three quarters, each accounting for more than 41% of the transaction volume. Development sites accounted for the third highest volume.

Commercial investment market Düsseldorf

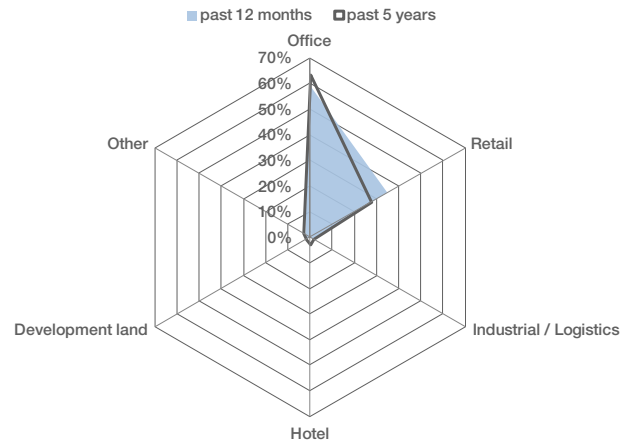
+++ Transaction volume 12M +81% | Prime office yield remained unchanged at 4.1% +++

GRAPH 11 Transaction volume



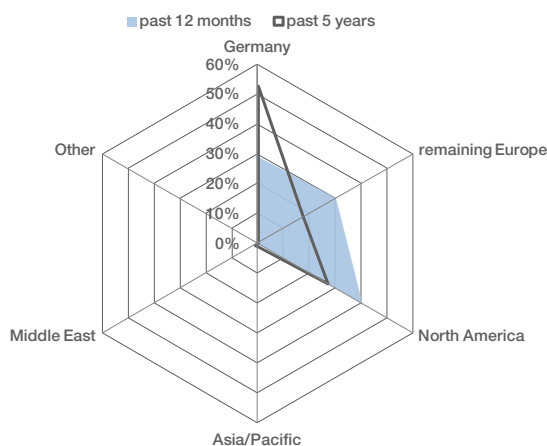
Source: Savills

GRAPH 12 Transaction volume by sector



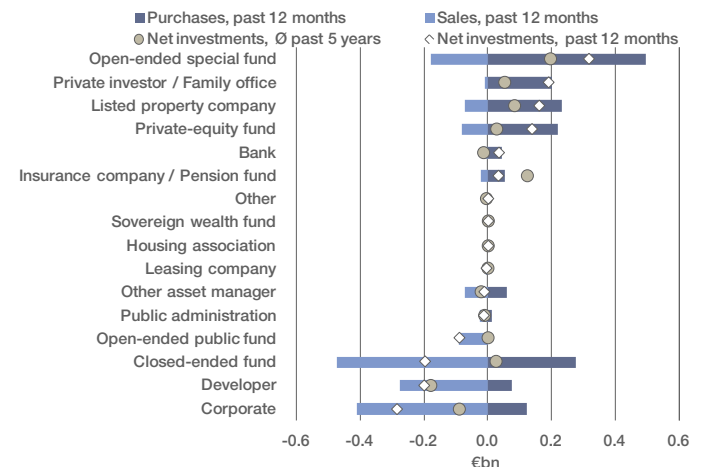
Source: Savills

GRAPH 13 Transaction volume by origin of buyer



Source: Savills

GRAPH 14 Transaction volume by type of investor



Source: Savills

Düsseldorf market in minutes

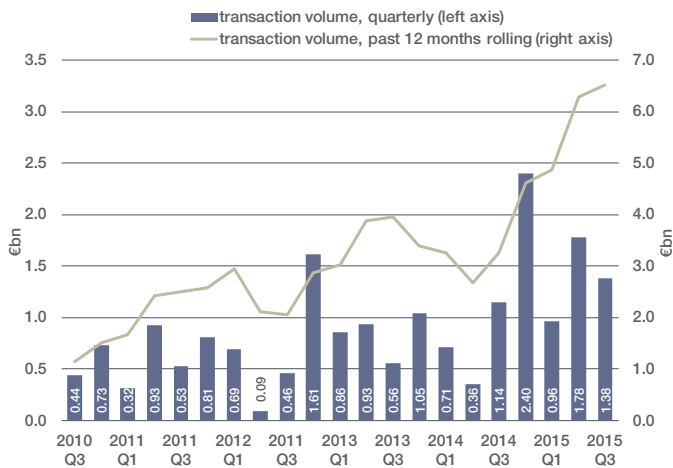
Strong increase in activity in B locations

- The 12-month transaction volume to the end of September in Düsseldorf totalled almost €2.4bn, representing an increase of 81% compared with the corresponding figure to the end of Q2 15.
- The three largest transactions to date were all completed during the third quarter. These were namely the acquisition of the Bilker Arcaden by Hines, the purchase of the Sevens mall and the acquisition of the Bonnheshof Office Center B.O.C. and Tersteegen Office Center T.O.C.
- In view of the current stage of the market cycle, many owners are reviewing their portfolios for potential disposals. On the purchaser side, submarkets such as Düsseldorf North and, to some extent, the Seestern district are increasingly gaining in popularity. While yields in Düsseldorf's B locations hardened accordingly during Q3, prime yields remained stable compared with the previous quarter.

Commercial investment market Frankfurt

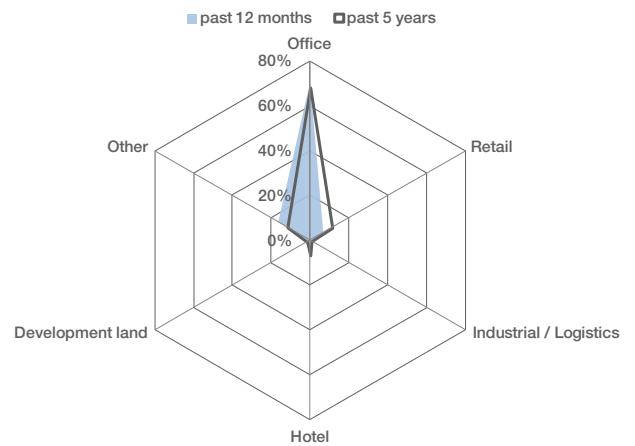
+++ Transaction volume 12M +4% | Prime office yield mooved sideways at 4.1% +++

GRAPH 15 Transaction volume



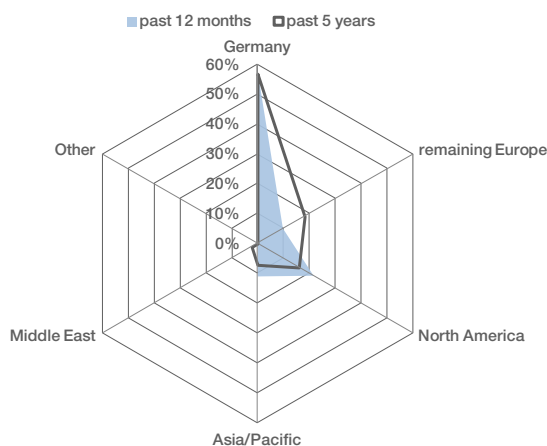
Source: Savills

GRAPH 16 Transaction volume by sector



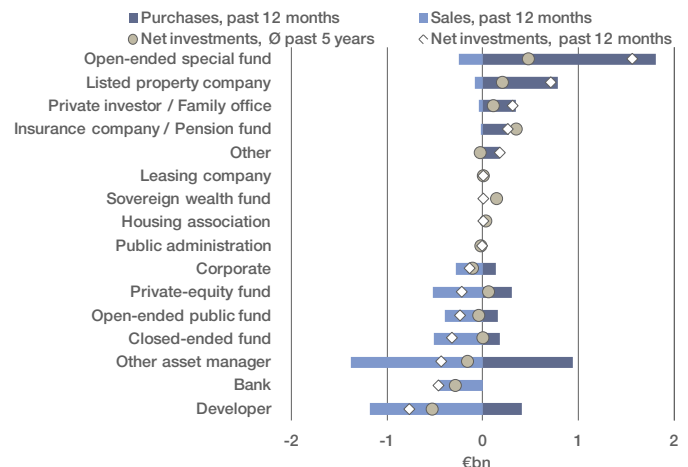
Source: Savills

GRAPH 17 Transaction volume by origin of buyer



Source: Savills

GRAPH 18 Transaction volume by type of investor



Source: Savills

Frankfurt market in minutes

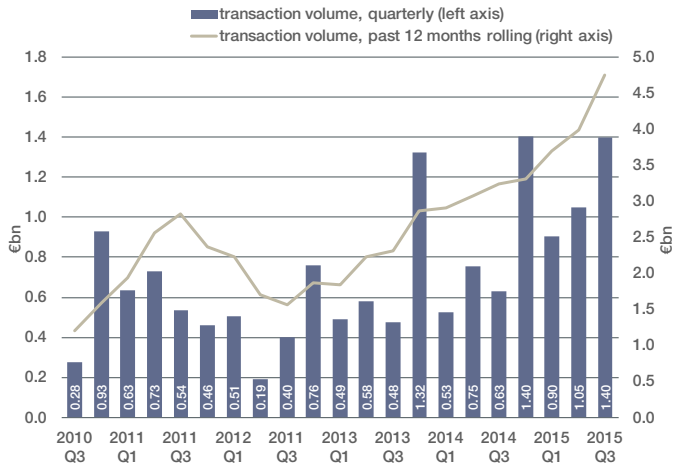
Demand is rising even more strongly than supply

- More than €6.5bn was invested in commercial property in Frankfurt during the 12 months to the end of September 2015. This represents an increase of 4% on the corresponding figure to the end of the second quarter.
- The office sector remained the key driver of Frankfurt's commercial investment market, accounting for around three quarters of activity. However, there has also been a renewed influx of investment in retail property this year, whereas there was virtually no investment activity in the sector during the corresponding period last year.
- In view of the sustained high levels of activity, particularly on the demand side, Frankfurt's commercial investment market is expected to continue its upward trajectory. The high level of confidence in the Frankfurt market is also likely to be reflected in further mild yield compression.

Commercial investment market Hamburg

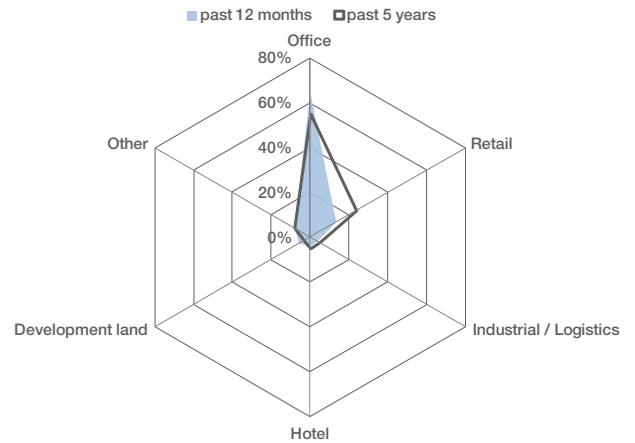
+++ Transaction volume 12M +19% | High street prime yield decreased by 30bps +++

GRAPH 19 Transaction volume



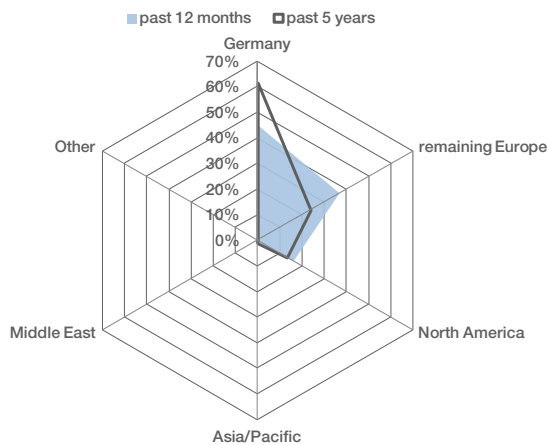
Source: Savills

GRAPH 20 Transaction volume by sector



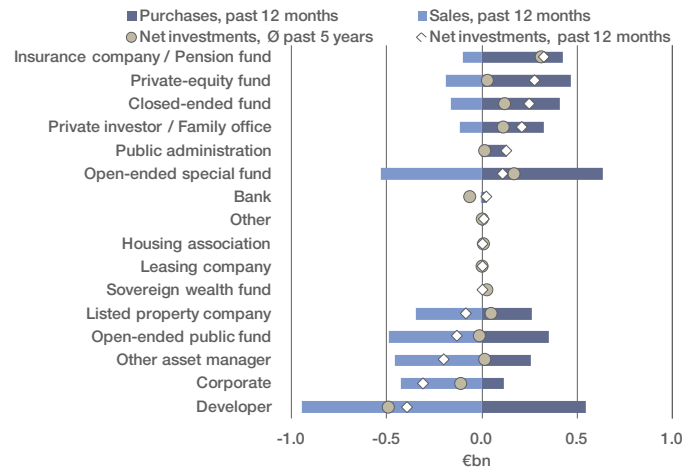
Source: Savills

GRAPH 21 Transaction volume by origin of buyer



Source: Savills

GRAPH 22 Transaction volume by type of investor



Source: Savills

Hamburg market in minutes

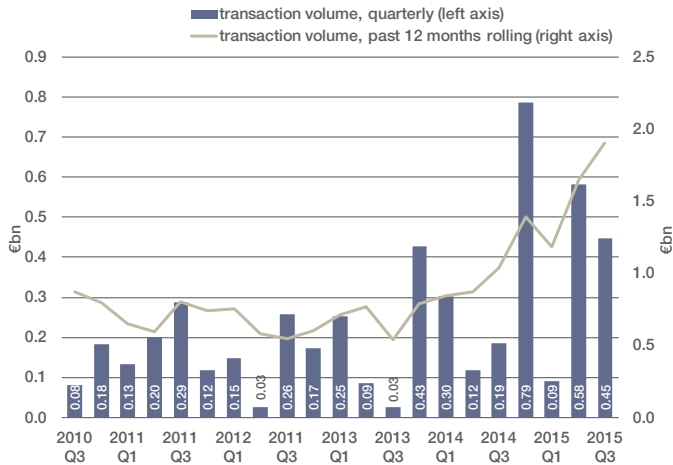
B locations are benefiting from high demand for core-plus property

- The 12-month transaction volume to the end of September 2015 in Hamburg reached just over €4.8bn, representing a 19% increase on the corresponding figure from three months earlier.
- Owing to a lack of core product, investment activity in Hamburg is increasingly shifting to the core-plus segment, which is particularly benefiting the B locations. In addition to the high demand for core-plus property, high-value assets in particular are driving the transaction volume to new highs. The three largest transactions of the year to date have been the sale of the Burstah Ensemble, the disposal of the Berliner Tor Center and the acquisition of section C of Axel Springer Haus by the City of Hamburg.
- The rally in Hamburg's commercial investment market is expected to continue through to the end of the year with continued pressure on prices for core and core-plus property in particular.

Commercial investment market Cologne

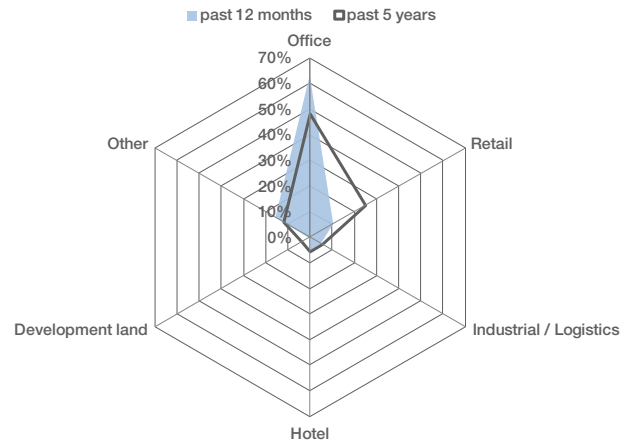
+++ Transaction volume 12M +16% | Prime office yield remained unchanged at 4.4% +++

GRAPH 23 Transaction volume



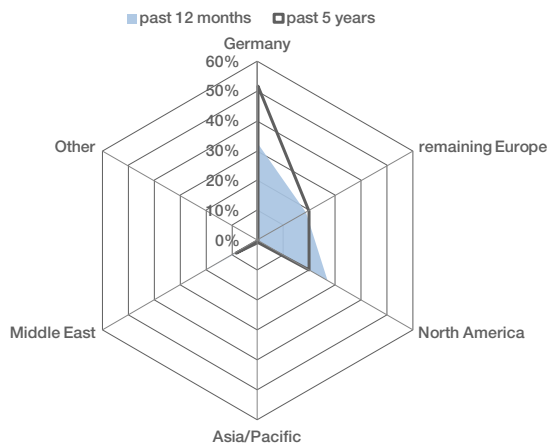
Source: Savills

GRAPH 24 Transaction volume by sector



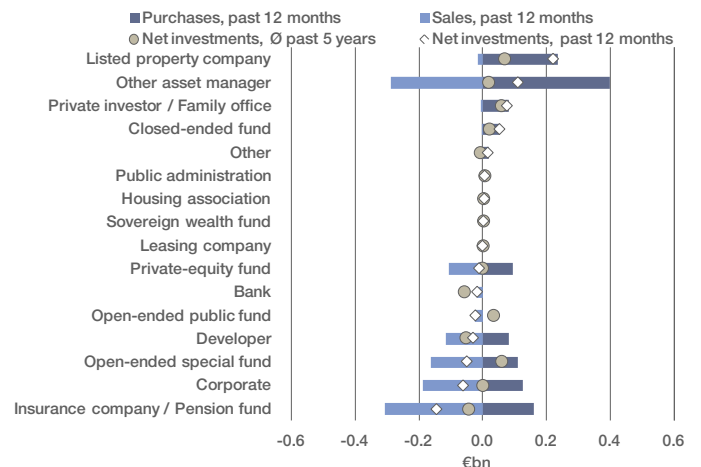
Source: Savills

GRAPH 25 Transaction volume by origin of buyer



Source: Savills

GRAPH 26 Transaction volume by type of investor



Source: Savills

Cologne market in minutes

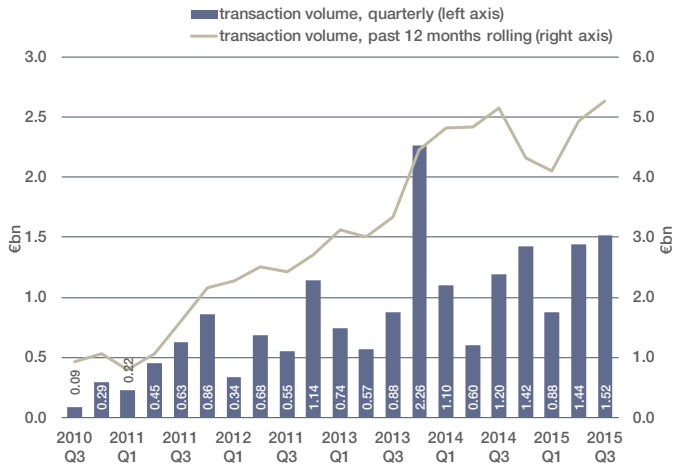
Market activity is still dominated by small transactions

- Almost €1.9bn was invested in commercial property in Cologne during the 12 months to the end of September 2015, representing an increase of 16% compared with the corresponding figure to the end of the second quarter.
- Transaction activity during the first three quarters of 2015 was particularly characterised by smaller transactions. The average transaction size across all properties sold was more than €18m, which is significantly higher than the corresponding figure from last year (approx. €12m). By far the largest transactions were the sale of the Barthonia Forum and the disposal of the Kaufhof building on Hohen Straße as part of the department store portfolio sold by HBC. All other transactions were of a volume below €50m.
- Domestic investors were the most active purchaser group during the first three quarters, accounting for 42% of the transaction volume. These were followed by British investors with a share of 16%. American investors ranked third, accounting for almost 12% of the transaction volume.

Commercial investment market Munich

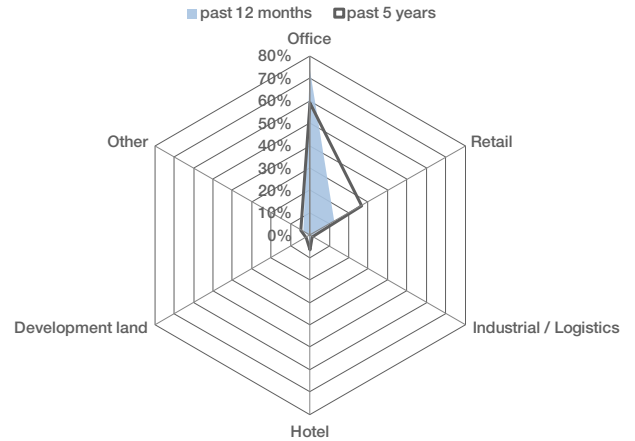
+++ Transaction volume 12M +6% | Prime office yield moved sideways at 3.8% +++

GRAPH 27 Transaction volume



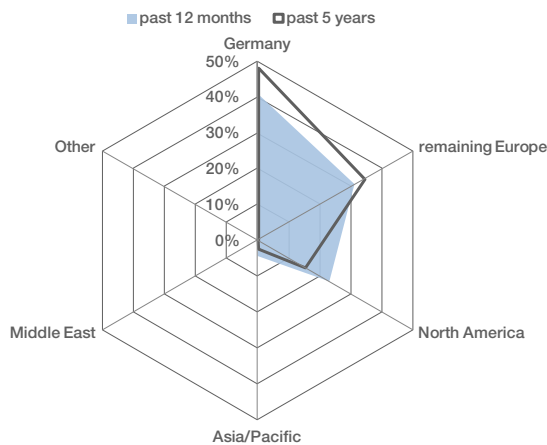
Source: Savills

GRAPH 28 Transaction volume by sector



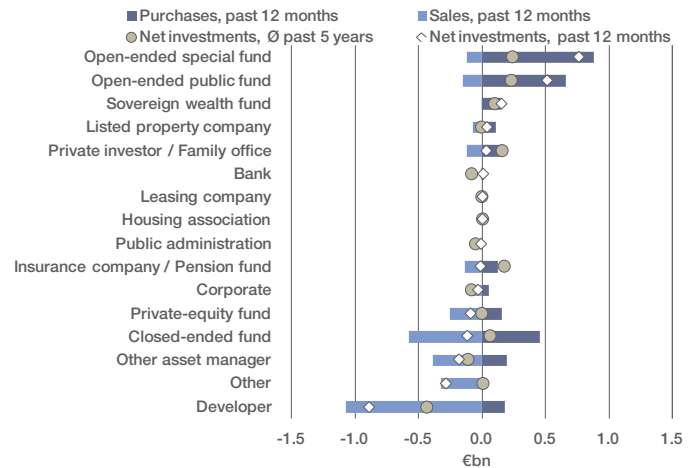
Source: Savills

GRAPH 29 Transaction volume by origin of buyer



Source: Savills

GRAPH 30 Transaction volume by type of investor



Source: Savills

Munich market in minutes

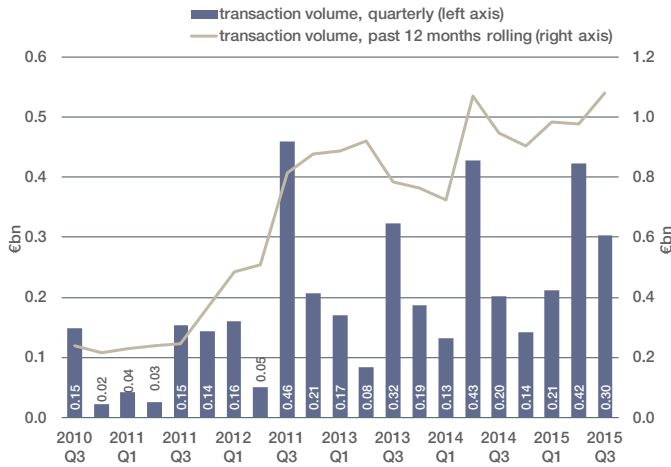
Investors are increasingly shifting their focus to peripheral locations

- Around €5.3bn was invested in commercial property in Munich during the 12 months to the end of September 2015. This represents an increase of around 7% compared with the corresponding figure for the 12 months to the end of the previous quarter.
- With very few owners of city-centre property prepared to sell in view of the lack of attractive alternative investments, many investors are increasingly shifting their attention to Munich's peripheral locations. Examples of this include the disposals of the 88north and Sapporobogen in Moosach as well as the sale of the Riem Tower in the Riem district.
- In view of the sustained high demand, particularly for value-add investments, the growth trend in Munich's commercial investment market is likely to continue. Investment activity could increase further in B and C locations in particular.

Commercial investment market Stuttgart

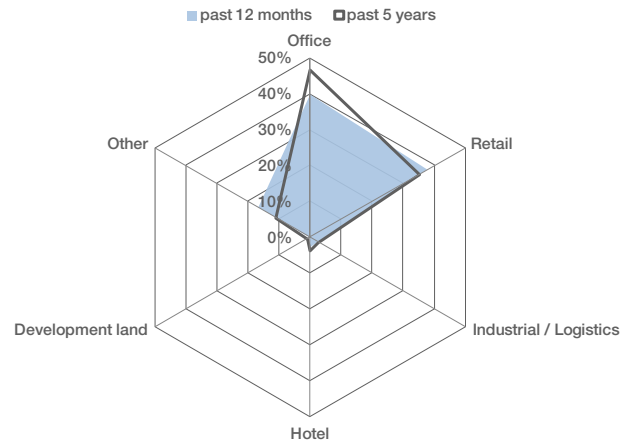
+++ Transaction volume 12M +10% | Prime office yield decreased by 20bps +++

GRAPH 31 Transaction volume



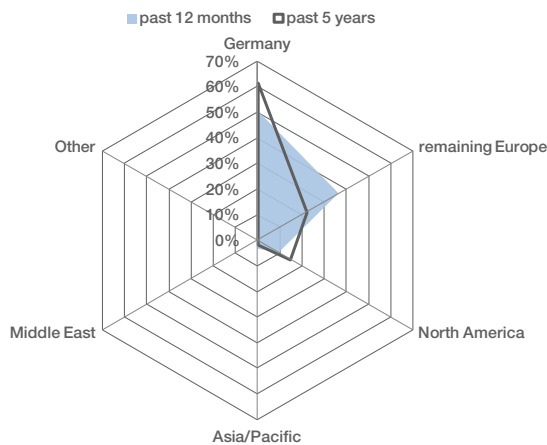
Source: Savills

GRAPH 32 Transaction volume by sector



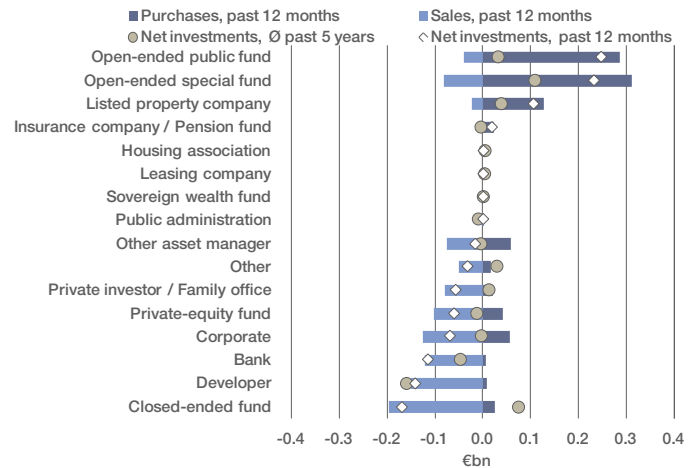
Source: Savills

GRAPH 33 Transaction volume by origin of buyer



Source: Savills

GRAPH 34 Transaction volume by type of investor



Source: Savills

Stuttgart market in minutes

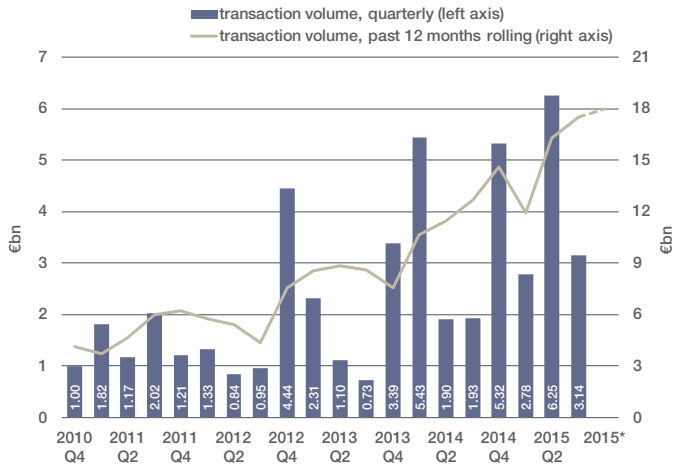
Good fundamental data is increasingly attracting new players

- Almost €1.1bn was invested in commercial property in Stuttgart during the 12 months to the end of September 2015. This represents an increase of 11% on the corresponding figure from the second quarter of 2015.
- Stuttgart remains attractive from an investor's perspective owing to its low price levels compared with other top seven markets as well as the large number of established office locations outside of the city centre. Besides risk-averse German investors, who are increasingly discovering Stuttgart as an investment alternative to Munich, there is also increasing activity from opportunistic and often foreign investors.
- The increased demand has already noticeably manifested itself in price growth, with yields in Stuttgart increasingly moving in the direction of those in the other top seven cities. In view of the strong interest from investors, Stuttgart's commercial investment market is expected to record an exceptionally high transaction volume for the full year.

Commercial portfolio investment market Germany

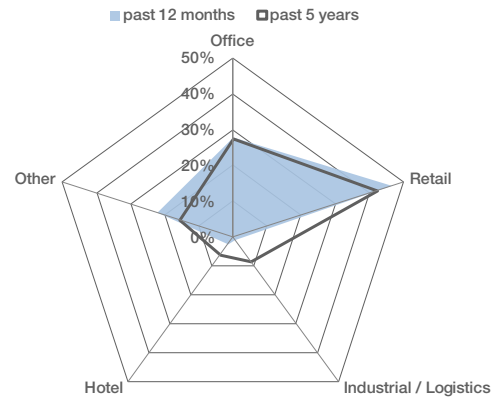
+++ Transaction volume 12M +7% | Share of retail portfolios at 55% +++

GRAPH 35
Transaction volume



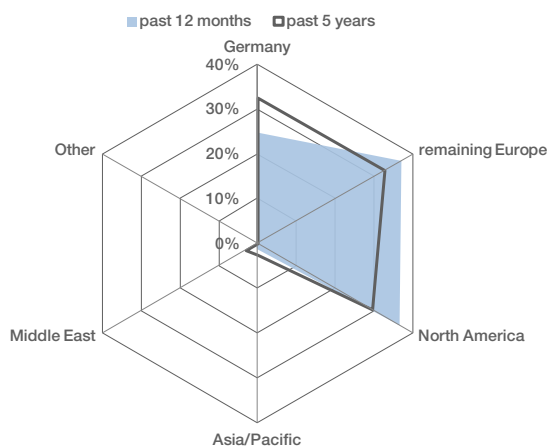
Source: Savills / * forecast

GRAPH 36
Transaction volume by sector



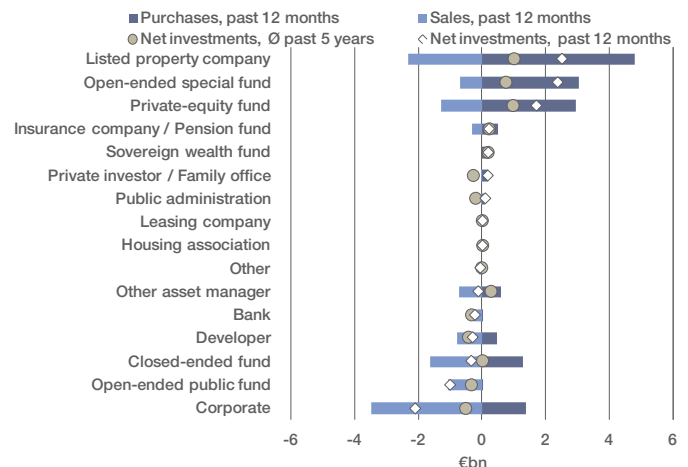
Source: Savills

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

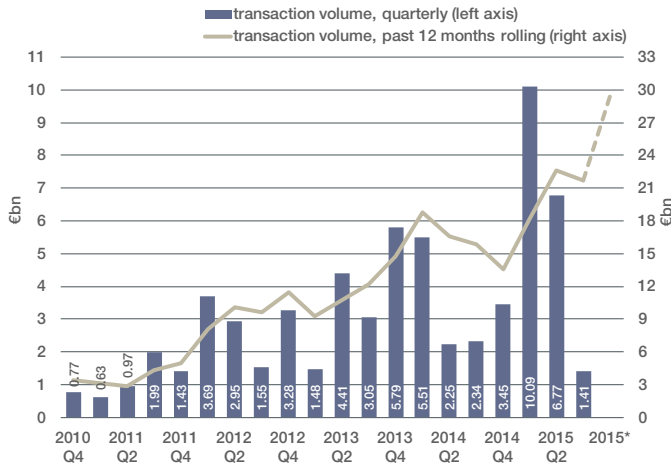
Strong demand for retail portfolios

- The transaction volume for German commercial property portfolios totalled €17.5bn during the 12 months to the end of September. This represents an increase of more than 7% on the corresponding figure to the end of the second quarter.
- The high pressure to invest and the fact that many investors are searching for the largest possible investments is driving increasing amounts of capital into the portfolio segment. On the supply side too, however, many owners are using the market conditions to revise their holdings and are increasingly bringing portfolios to the market.
- Office portfolios accounted for 23% of the portfolio transaction volume during the first three quarters compared with 36% during the corresponding period last year. Retail portfolios trended in the opposite direction, claiming a 55% share of the transaction volume (Q3 14: 23%). With a number of commercial portfolios still on the market, the transaction volume could reach a total of around €18bn by the end of the year.

Residential portfolio investment market Germany

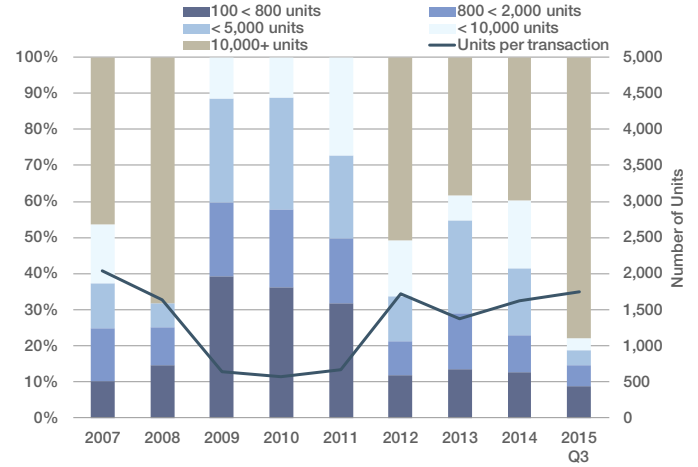
+++ Transaction volume 12M -4% | Price per unit increased to €69,700 +++

GRAPH 39 Transaction volume



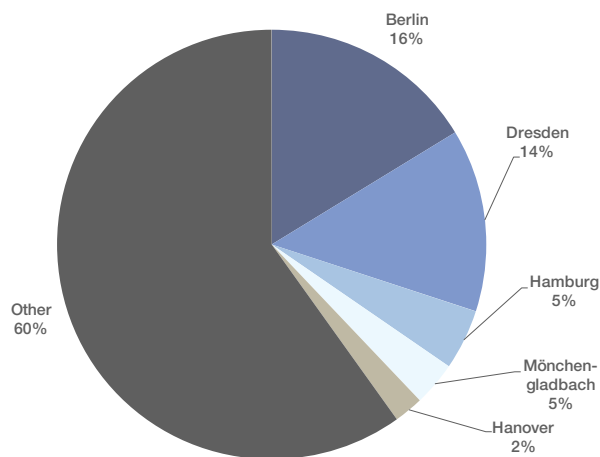
Source: Savills / * forecast

GRAPH 40 Size of portfolios transacted



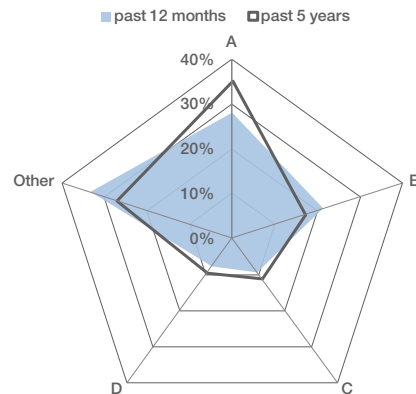
Source: Savills

GRAPH 41 Transacted units by location*



Source: Savills / * past 12 months

GRAPH 42 Transacted units by type of city*



Source: Savills / * based on the Bulwiengesa classification

German residential portfolio market in minutes

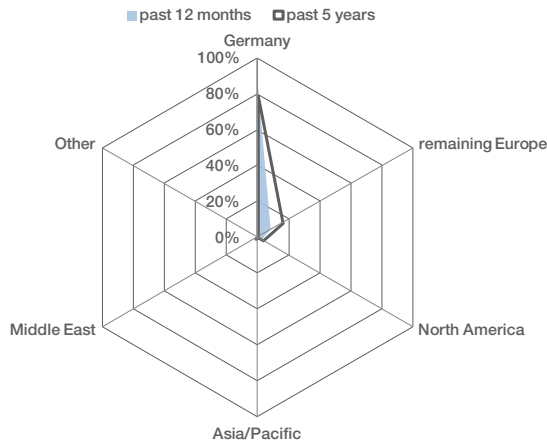
Transaction volume rises 81% year on year

- The transaction volume for German residential portfolios totalled approx. €21.8bn over the last 12 months. This represents a decrease of 4% on the corresponding figure to the end of the second quarter of 2015.
- Events in the residential portfolio market this year have been dominated by mergers between major property companies while the number of asset deals has significantly declined. The acquisitions of Gagfah by Vonovia (formerly Deutsche Annington) and Westgrund by Adler Real Estate alone accounted for almost €9bn or 49% of the transaction volume.
- The continued huge demand for German residential property is not only reflected in a further increase in the transaction volume but also in price growth. The average price per unit paid during the first three quarters of 2015 stood at approx. €69,700, representing an increase of 29% compared with the corresponding period last year (approx. €54,300).

Residential portfolio investment market Germany

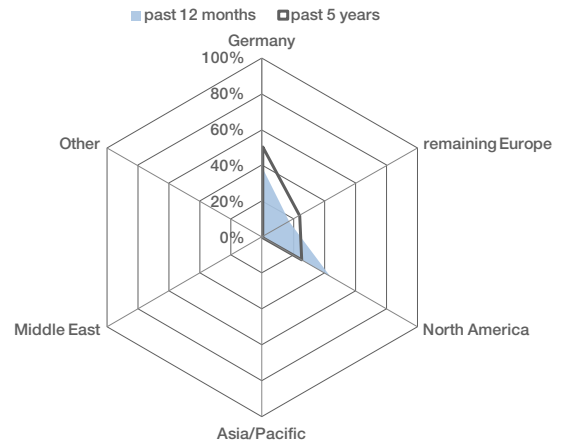
+++ Share of domestic buyers at 88% | Listed companies were largest net investors +++

GRAPH 43 Transaction volume by origin of buyer



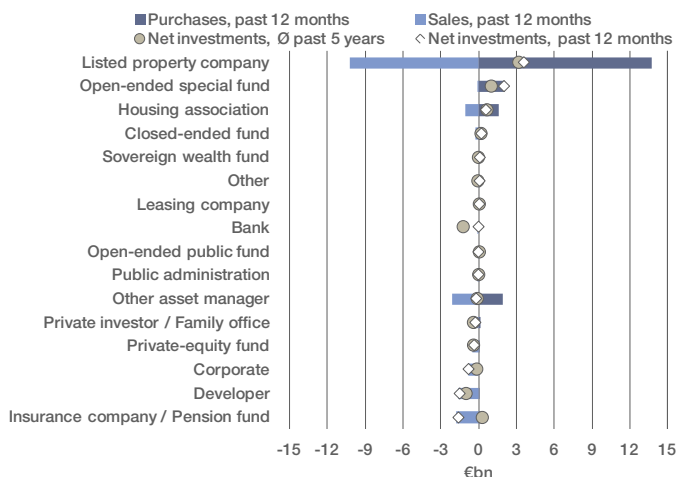
Source: Savills

GRAPH 44 Transaction volume by origin of seller



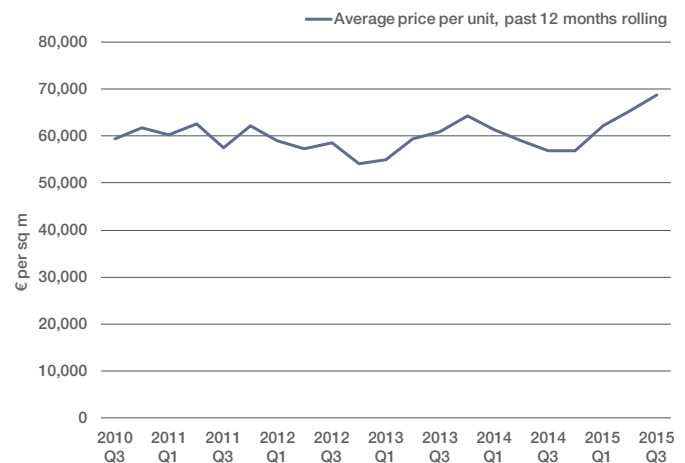
Source: Savills

GRAPH 45 Transaction volume by type of investor



Source: Savills

GRAPH 46 Development of prices



Source: Savills

TABLE 3 The largest residential portfolio transactions in Q3 2015 at a glance*

Portfolio	Number of units	Volume	Buyer	Vendor
-	approx. 640	approx. €91m	Aik	DG ANLAGE Gesellschaft
-	approx. 155	undisclosed	Aberdeen Asset Management	HOCHTIEF Solutions / Interboden
-	approx. 198	undisclosed	Vivawest Wohnen	Arsatec
-	approx. 168	undisclosed	bbg Berliner Baugenossenschaft	KW-Development
-	undisclosed	undisclosed	Kauri CAB Management / Apeiron Capital Ltd.	unknown Institutional Investor / unknown Private Investor

Source: Savills / * only published transactions are shown

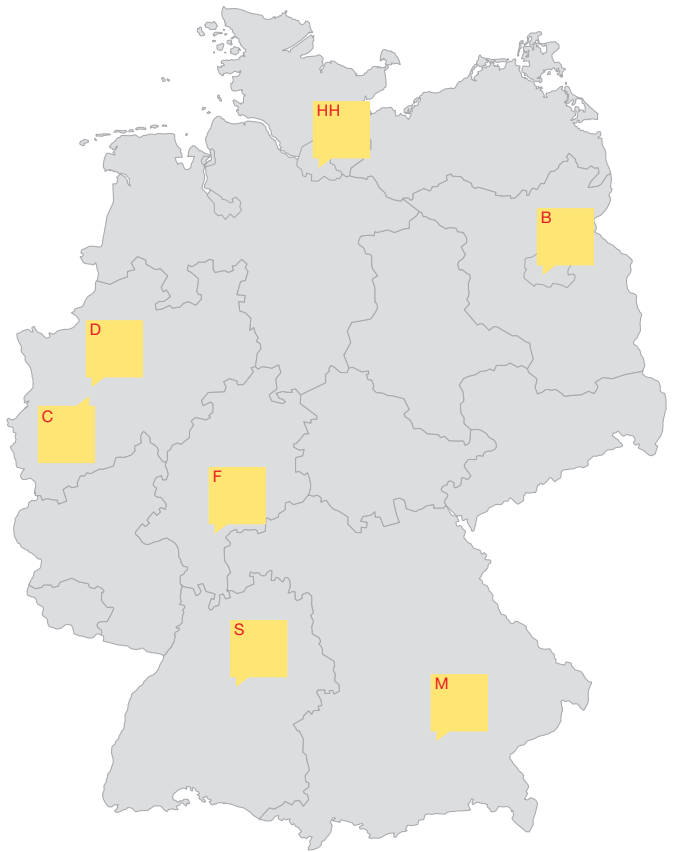
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- » Corporate Finance - Valuation
- » Leasing of office and retail buildings
- » Leasing and sale of industrial and warehouse properties
- » Occupier Services

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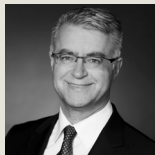


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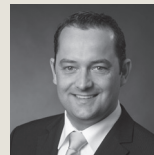
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