Germany Investment Quarterly
MarketView

Q2 2013 | CBRE Global Research and Consulting

GDP Q1 GER + 0.1% Q-o-Q

GDP Q4 GER - 0.6% Q-o-Q

IFO INDEX 105.9 June 2013

10Y GOV. BONDS 1.64% June 2013

UR GER 6.6% June 2013

Quick Stats

Q2 2013		Q-o-Q
Investment turnover	€5.9bn	↓
Number of transactions	388	↑
Prime office yield (Top 5 average)	4.80%	↓
Capital value index office	220.2	↑
Prime retail yield (Top 5 average)	4.38%	→
Prime shopping center yield	4.75%	→
Prime retail warehouse yield	6.00%	→
Prime logistics yield	6.50%	→

Hot Topics

- High investment dynamics: commercial transaction volume H1 2013 with €12.6bn significantly above H1 2012 result (+34%)
- Very high demand for office properties, retail properties again second most sought-after asset class
- Asset deals dominate investment activities in the first half of the year – at the same time considerably more portfolio deals year-on-year
- Office yields are further declining due to the unabated high demand for core products in Germany's Top 5 locations
- Investors increasingly prepared to take risks

The investment market for commercial properties in Germany registered a transaction volume of around €12.6bn in the first six months of the year, an increase of about 34% or €3.2bn year-on-year. It is also the best half year result since the boom year 2007.

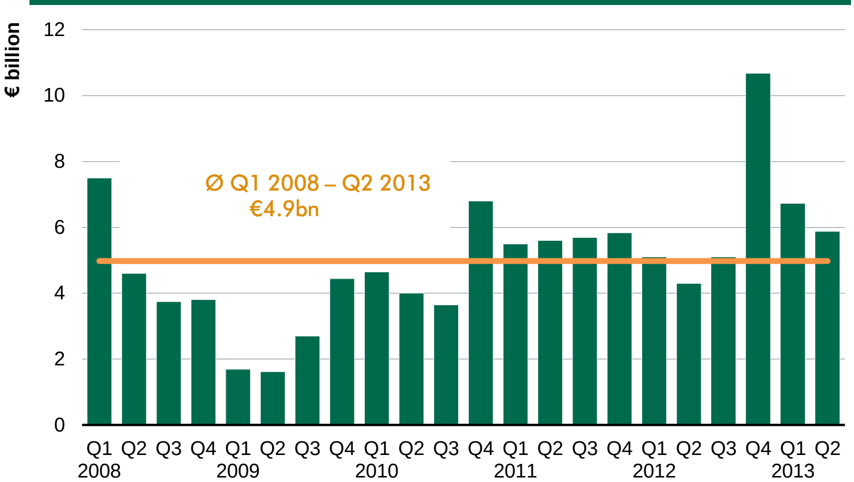
The share of portfolio transactions increased further accounting with €3.1bn for around 24% of the overall transaction volume, up from only almost 19% in the same period of the previous year. The share of portfolio transactions in Germany's top investment locations also registered an increase. While in the first half of 2012 portfolio transactions only accounted for 7%, their share rose to almost 18% this year. Across-the-market, management intensive properties in B-cities and B-locations are also being traded in portfolios.

The focus of investors continued to remain on the five largest German investment centres Berlin, Dusseldorf, Frankfurt, Hamburg and Munich, which accounted with €6.8bn for more than half of the overall investment volume. The investment volume increased by 54% compared with the first half year 2012. With a transaction volume of €1.63bn (+ 121% year-on-year), Frankfurt ranks first, followed by Munich and Berlin with €1.57bn (+ 2%) and €1.35bn (+ 36%) respectively. In Hamburg the transaction volume increased year-on-year by around 48% to €1.17bn and Dusseldorf (including its surroundings) even saw a considerable increase by a stunning 209% to now €1.09bn.

On the purchaser's side, German investors increased their activities considerably compared with the same period of the previous year. While national investors accounted for 66% of all investments in the first six month of 2012, their share is up to 72% in the current year. In the five top locations the share of German investors remained stable at 77%.

Around €5.6bn were invested in German commercial properties by international investors. The majority of the capital invested came from North America (43%), Asia and the Middle East (28%) as well as other EU-countries (24%).

Chart 1: Investment Market Germany (€ billion)



Source: CBRE Research

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The dominant types of uses were again office properties with an investment volume of €5.6bn or a share of 44% of the overall transaction volume. In the same period of the previous year, €4.4bn (47% of the overall volume) were invested in office properties. The share of retail properties remained with around 33% relatively stable year-on-year despite an increase in the absolute transaction volume. While in the first half of 2012, retail properties accounted with €3.2bn for 34% of the transaction volume, their share now stabilised at 33% (€4.2bn). The logistics and industrial sector also registered a significant year-on-year increase by 43% to around €1bn or 8% of the total volume. This result reflects Germany's outstanding position as logistics location, both within Europe and on a global level. Hotel properties and other types of uses accounted for almost 6% and 5% of the investment volume respectively. With €490m, only 4% of the total investment volume was invested in development sites ready commercial uses, a decline by 24% year-on-year.

Open-ended and special funds were the most active group of investors in the first half of the year, as they invested than €2.9bn or 23% of the total volume. Investment activities were thus increased by 111% year-on-year. Insurance companies and pension funds were the second most active group of investors, as they increased their investment volume by 135% to €2.1bn and hence 17% of the total volume so far. Private investors ranked third with €1.7bn or 14% of the total volume. On the seller side, developers, asset and fund manager as well as open-ended and special funds were the most active group in the German commercial investment market.

Considering the products in the pipeline, some of which are of large scale, investment market momentum across Germany is likely to hold on a high level during the second half of this year. Aside from German institutional investors it can be expected that Asian investors with strong equity capital will increasingly make their way onto the German property market. Although the market is further dominated by core- and core plus-investments, the particular shortage of core products has constructive side effects. Investors, at least some of them, are increasingly prepared to take higher risks and to adopt more management intensive but also more promising investment strategies. In this respect, our forecasts for the second half of the year are being confirmed. We expect another very good investment year with an above average result, adding up to around €25bn in the real estate sector alone at the end of the year.

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