TOP 7 INVESTMENT MARKETS Q1-3/2022

Outlier trades boost volume of transactions higher than previous year



2022-10-05, Hamburg. During the first nine months of 2022 commercial properties located in Germany’s top 7 cities, i.e. Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich, changed hands for a total of €20.9bn. At the end of the 3rd quarter, the volume traded was thus slightly higher year on year (+5 %). These findings are contained in a survey compiled by German Property Partners (GPP), the commercial real estate network formed by Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate.

*“The result continues to owe much to the record volume traded at the start of the year and to outlier trades in various cities. At the moment, although there is still cash on the market, fewer agreements are being completed. Investors are reticent in view of appreciable increases in interest rates since August and of the overall political situation,”* says GPP spokesperson **Andreas Rehberg**, commenting the result.

CONSIDERABLE GROWTH OF TRADING VOLUME IN HAMBURG AND DÜSSELDORF

By the end of the 3rd quarter the volume traded in Hamburg had reached some €3.9bn - year on year growth of 86 % and the second-highest result ever recorded in the city at the end of a 3rd quarter. This large figure may be traced to take-overs and the acquisition of shareholdings in development projects, including Brookfield’s take-over of alstria (Q1) and the share in the Elbtower purchased by Commerz Real (Q3). The volume of trading in Düsseldorf also marked a large increase, up by 79 % to €2.4bn. This strong showing was partly due to the alstria trade and partly to the shareholding in Immofinanz acquired by CPI (Q1) and some large building land transactions in the 3rd quarter. In Stuttgart the volume traded was €841m, slightly higher year on year (+7 %) but this was also essentially a result of the strong start to the year when the alstria transaction was completed. Looking at the 3rd quarter in isolation, the figure for Stuttgart, capital of Baden-Württemberg, is €199m and thus well below the prior year’s result (-41 %).

Quarterly results from the other top 7 cities reveal more clearly the wait-and-see attitude adopted by investors. The trading volume dropped most dramatically in Munich (-33 % to €2.5bn), especially by contrast with the strong result in the prior year. This Bavarian city was also the only top 7 location that did not benefit from the huge alstria transaction. A similar decline was noted in Cologne (-29 % to €850m). Whereas Frankfurt’s half-year result was 75 % higher than in 2021 due to the alstria outlier and the Marienturm transaction (Q1), by the end of the 3rd quarter the total volume of trades had dipped below the prior year’s figure (-4 % to €4.2bn). Between July and September a mere €625m was invested in real estate in this city on the Main - a year on year drop of 74 %. Thanks to several larger transactions the volume of property traded in Berlin was only just below the prior year’s result (-2 % to €6.3bn).

GROWING YIELDS IN ALL TOP 7 CITIES

It would seem that the lengthy period of yield compression has come to an end. **Rehberg** remarks that, *“After many years of steady reductions, prime yields on office and logistics properties are now growing again.”* Year on year the average prime yield on office properties in the top 7 cities rose by 0.31 percentage points to 3.11 %. The most marked rise was in Stuttgart, where the prime yield on offices climbed to 3.50 % (+0.7 percentage points). A clear indication of the rise in prime yields on logistics and industrial real estate may be seen by comparing quarters 2 and 3: at the end of the first half of 2022 the yield was 3.36 % but by the end of the 3rd quarter it had risen to 3.56 %, an increase of 0.2 percentage points within one quarter. The biggest year on year growth, at 0.3 percentage points, was posted by Frankfurt (3.90 %) and Stuttgart (4.00 %).

The other market parameters still need to be viewed in the light of the outlier alstria transaction. Accounting for 73 % of the volume sold (Q3 2021: 60 %), the most-traded properties in the top 7 cities were thus office buildings. Building land and mixed-use properties trailed far behind, each with 7 % of the market. Likewise, the proportion of portfolio trades was correspondingly high at 33 % (Q3 2021: 16 %). International investors, accounting for about 48 % of turnover, (Q3 2021: 35 %) were accordingly active in Germany’s top 7 cities. They were very prominent players in Berlin with 70 % of the market, and least in evidence in Munich with 16 %.

FORECAST: Subdued close to the year

**Rehberg** forecasts that at the end of the year, *“Investors will concentrate to a greater extent on real estate in core locations and focus especially on office buildings and logistics properties, which promise a stable or rising rental income and very little unoccupied space.”* However, he qualifies this statement by adding, *“Further rises in interest rates, possible price adjustments and a low number of reference transactions will make the decision-making process more difficult in the long term, especially for investors with borrowing requirements.* *A spectacular year-end rally is thus unlikely.”*

Some large-volume core transactions are likely to be concluded this year, particularly in Cologne, Frankfurt, Stuttgart and Munich. GPP forecasts that the volume of transactions will total some €27bn by the end of the year - well below the five-year average of €34.2bn.

**Top 10 known agreements | top 7 cities | Q1-3 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **City** | **Project/property** | **Buyer/investor** | **Vendor** | **Pur. price\***(about €m) |
| FFM | Marienturm, Taunusanlage 9+10 | DWS for the National Pension Service of Korea (NPS) | Aermont Capital / PWREF II fund managed by Perella Weinberg | ±800 |
| BER | Sony Center, Potsdamer Platz 2 | Norwegian Government Pension Fund Global | Oxford Properties / Madison International Realty for institutional investor | 677 |
| BER | Voltair | Norwegian Government Pension Fund Global / Swiss Life | Gädeke & Sons / ABG | 457 |
| BER | QH Spring / QH Track | Vivion Group | Aggregate Holdings | 456 |
| HAM | Altes Fernmeldeamt, Schlüterstrasse 51-55 | Values Real Estate | Peakside Capital | 400 |
| MUC | Brienner Strasse 22-28 | Doblinger Unternehmensgruppe | Bayerische Landesbank | 360 |
| MUC | Olympia Business Center (OBC), Georg-Brauchle-Ring 23-25 | Athos Family Office | Europa Capital / Bayern Projekt (joint venture) | 300 |
| MUC | New headquarter Wacker Chemie, Gisela-Stein-Strasse | Wacker Chemie pension fund | Patrizia | 250 |
| DUS | Eclipse, Georg-Glock-Strase 22 | Union Investment for “UniImmo: Deutschland" | die developer | 250 |
|  |  |  |  |  |
| BER | Techno Campus | Caleus Capital Partners for Singapore State Fund | AXA IM | Confiden-tial |

Transactions occurring in the quarter covered by this report are highlighted. Source: German Property Partners (GPP)

 **Top 7 cities | Q1-3 2022**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **HAM** | **BER** | **DUS** | **CGN** | **FFM** | **STU** | **MUC** | **Top 7** |
| **Transaction volume**in €m | 3,900 | 6,300 | 2,400 | 850 | 4,162 | 841 | 2,449 | **20,902** |
| **Change**against prior yr in % | +86 | -2 | +79 | -29 | -4 | +7 | -33 | **+5** |
| **Prime yield\*, offices**in % | 2.90 | 2.90 | 3.20 | 3.00 | 3.20 | 3.50 | 3.10 | **3.11** |
| **against prior yr**in percentage points | +0.30 | +0.25 | +0.30 | ±0.00 | +0.30 | +0.70 | +0.35 | **+0.31** |
| **Prime yield\*, logistics**in % | 3.50 | 3.25 | 3.45 | 3.30 | 3.90 | 4.00 | 3.50 | **3.56** |
| **against prior yr**in percentage points | ±0.00 | -0.25 | -0.30 | -0.20 | +0.30 | +0.30 | ±0.00 | **-0.02** |
| **Strongest asset class** | Offices | Offices | Offices | Offices | Offices | Offices | Offices | **Offices** |
| **Strongest asset class**in % | 80 | 71 | 70 | 66 | 79 | 75 | 70 | **73** |

\* Net initial yield; Source: German Property Partners (GPP)

**ABOUT GERMAN PROPERTY PARTNERS**

[German Property Partners](https://www.germanpropertypartners.de/de/) is a national network of property service providers; they are all leaders in their local markets. Membership now consists of Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate. The network is remarkable for the members’ intimate knowledge of local markets, the experience of the partner firms’ long-standing property consultants and the personal dedication of the owners and directors.

In Germany’s top 7 cities - Hamburg, Berlin, Düsseldorf, Cologne | Bonn, Frankfurt, Stuttgart and Munich - network partners have their own offices offering services in the field of property investment, commercial letting, corporate real estate management (CREM), property valuation and research. Rounding off the range of skills are banking, finance and administration services.

Currently, more than 420 property specialists work for the network. Nationwide, German Property Partners brokered lets in 2021 involving 640,000 m² of commercial property, and managed investment transactions totalling €2.6bn.

[**www.germanpropertypartners.de**](http://www.germanpropertypartners.de)

German Property Partners’ **data protection declaration** is available on the GPP website: [www.germanpropertypartners.de/datenschutz](https://www.germanpropertypartners.de/datenschutz). If in future you would prefer not to receive any more information from the GPP press office, please e-mail us at presse@germanpropertypartners.de quoting as reference "Abmeldung aus Presseverteiler” / “Unsubscribe from press mailing list”.