

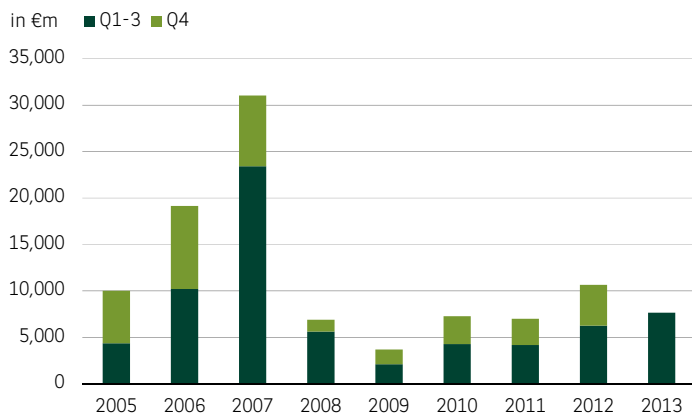


At a Glance

# OFFICE INVESTMENT MARKET GERMANY

## Q3 2013

### Office investments in Germany

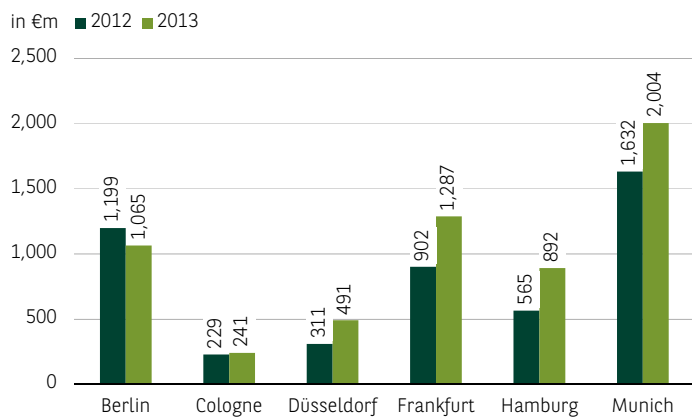


© BNP Paribas Real Estate GmbH, September 30, 2013

### FURTHER INCREASE IN OFFICE INVESTMENTS

Investment in office buildings in the first three quarters of 2013 totalled just over 7.66 bn €. That is all of 22 % higher than the already very good prior-year result. Only in 2006 and 2007 was the transaction volume significantly higher, which was due then to large portfolio sales. Nevertheless, this year's turnover is slightly more than 1 % up on the long-term average even when the two boom years are included. Office properties remain the most favoured asset class, with over 40 % of all investment in commercial property in Germany. Single deals accounted for just under 6.7 bn € (87 %), representing growth of close to 15 % in absolute terms. What is particularly notable, though, is that the volume of portfolio sales more than doubled, to 971 m €. In all, there were 16 transactions in the triple-digit million range, 12 single deals plus 4 portfolio sales. The most important deals included the sale of the Gallileo and Skyper towers in Frankfurt and of the Stadttor in Düsseldorf.

### Office investments in the Big Six Q1-3

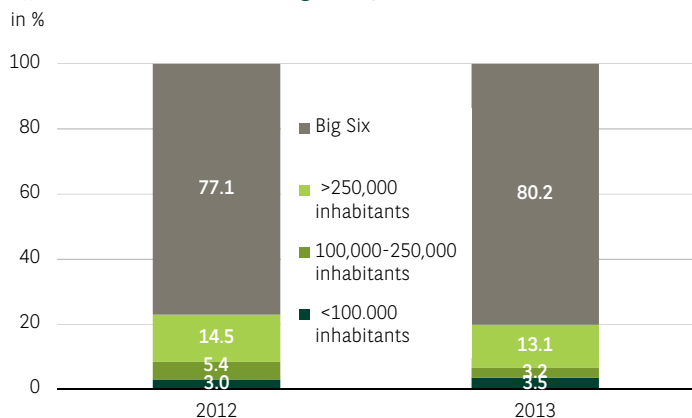


© BNP Paribas Real Estate GmbH, September 30, 2013

### TOP LOCATIONS ALSO LIFT TURNOVER

The so-called Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) were also able to increase their turnover substantially compared with the previous year by achieving a total volume of 5.98 bn €. That represents a year-on-year rise of nearly 24 %, which is just above the nationwide figure. The only city to post a slight decline was Berlin, with turnover of just under 1.07 bn € (-11 %). All the same, this was enough to give the German capital third place among the major office centres. This inter-city ranking was headed quite clearly by Munich, where investment totalled more than 2 bn € (+23 %). One other city also posted a total of over one billion euros: Frankfurt, with almost 1.29 bn € (+43 %). By far the biggest relative increases, of around 58 % in each case, were achieved in Hamburg (892 m €) and Düsseldorf (492 m €). In contrast, Cologne noted only a modest rise, of just over 5 %; there, investment in office properties came to around 241 m €.

### Office investments according to city size Q1-3\*



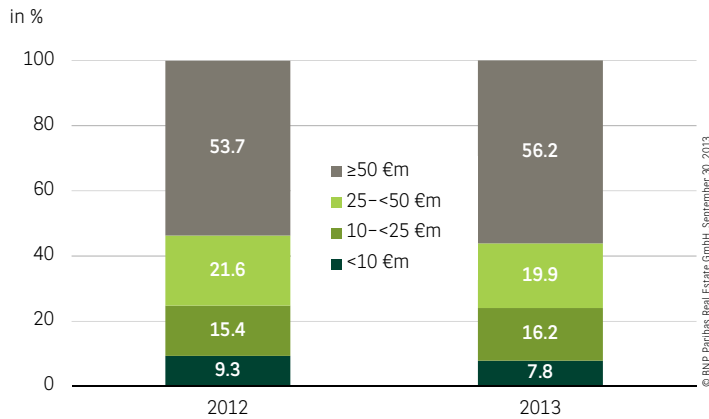
© BNP Paribas Real Estate GmbH, September 30, 2013

Activity in this field was also lively outside the top German locations, with single deals alone contributing close to 1.33 bn €. In cities with a population of over 250,000, the transaction volume came to 880 m €. But smaller locations with fewer than 100,000 inhabitants also generated a significant turnover of 234 m €.

\* excluding portfolios



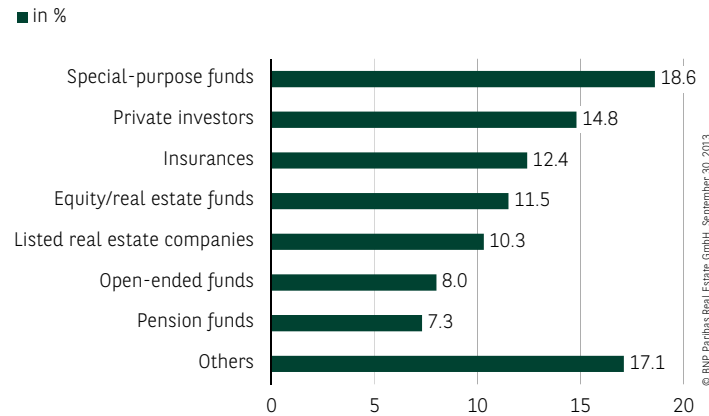
**Office investments according to € categories Q1-3**



**SIZE STRUCTURE STABLE**

With regard to the size-category structure of the transactions, there have been no marked shifts compared with the prior-year period. But it is gratifying to observe that the absolute volume of investment increased in all the different size classes, thus indicating broadly based demand. As was to be expected, the ranking was headed by the category upwards of 50 m €, with a share of over 56 % of the total. In second place came the 25-50 m € bracket (20 %), followed by sales of between 10 and 25 m € (more than 16 %). But smaller transactions of up to 10 m € also contributed nearly 8 % to the result, equivalent to turnover of almost 600 m €.

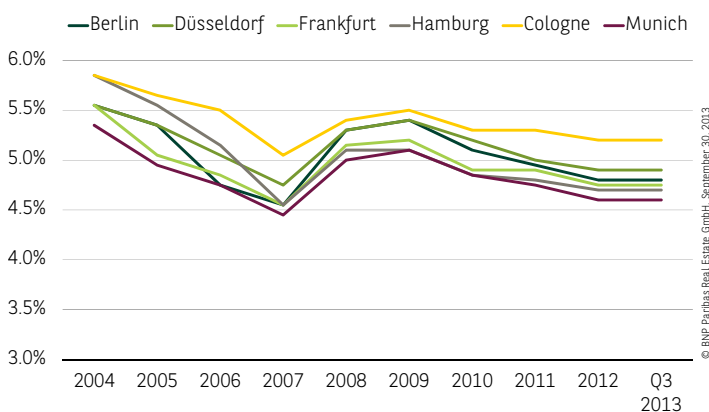
**Office investments according to buyers' groups Q1-3**



**STRONG INTEREST BY RANGE OF INVESTORS**

The investor structure remains very varied, which reflects a very broad and, in particular, stable basis of demand. Overall, five different groups of buyers achieved double-digit percentage proportions of the aggregate volume. The top slot was taken by special-purpose funds with close to 19 %. Next came private investors/family offices with almost 15 %. In third place came insurances, which contributed just over 12 % to the result. Other places were occupied by equity/real estate funds (11.5 %), listed real estate companies (just over 10 %) and open-ended funds (8 %). Foreign investors accounted for around 36 % of the transaction volume. In the portfolio segment, they actually dominated the rest of the field quite clearly with a share of more than 88 %.

**Development of office net prime yields**



**PRIME YIELDS UNCHANGED**

In the third quarter, prime rents again remained stable, exhibiting no changes. So Munich is still the most expensive office centre, with a net initial yield of 4.60 %. Close behind comes Hamburg with 4.70 %. The figures for the other cities are: Frankfurt 4.75 %, Berlin 4.80 %, Düsseldorf 4.90 % and Cologne 5.20 %. The average prime yield across the Big Six locations also stays steady, at 4.83 %.

**OUTLOOK**

There are already signs that the final quarter of the year will be very lively. Several spectacular single deals are imminent and there are some sizeable portfolio transactions close to conclusion and this will boost turnover quite appreciably by the end of December. Demand on the part of both German and foreign investors is undiminished. Given a larger supply of core properties and somewhat easier financing arrangements, the transaction volume could in fact be even higher. But it is also evident that investors are showing growing interest again in value-add and opportunistic assets. In all probability, aggregate investment in the year as a whole will pass the 10 bn € threshold by a clear-cut margin.

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

