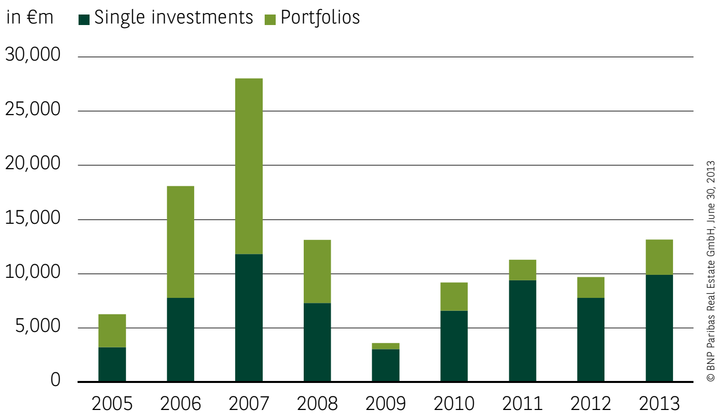
At a Glance

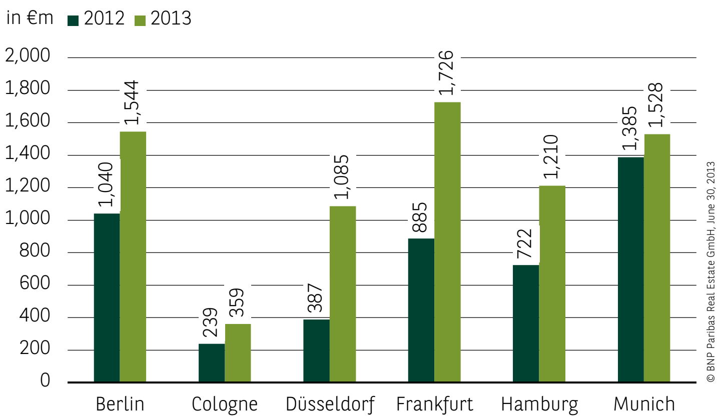
INVESTMENT MARKET GERMANY

Q2 2013

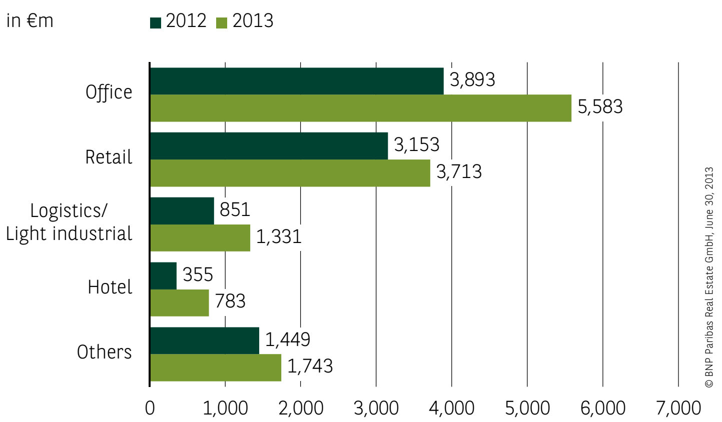
Investment volume in Germany H1



Investment volume in the Big Six H1



Investments according to type of property in Germany H1



INVESTMENT MARKETS REMAIN VERY DYNAMIC

With a total of just over 6 bn €, the second quarter of 2013 was also very strong and picked up smoothly from the exceptional first-quarter performance (7 bn €). So investment markets have proved to be completely unimpressed by the merely moderate development of the economy as a whole in the first half of the year. For investors, Germany continues to offer an extremely attractive environment unparalleled anywhere else in Europe, with interest rates still low, a shortage of other secure assets, active consumers, upward-trending early indicators and a labour market that remains robust. Against this background, it is hardly surprising that the first half was the best in the past five years. The outstanding result was fuelled both by single deals, which accounted for 75 % of total turnover, stepping up their volume by 27 %, and also by portfolio transactions, which registered a substantial year-on-year rise of 70 %. Here, the biggest transactions included the sales of the Prime portfolio (around 480 m €), an SEB portfolio (about 420 m €) and the QMH hotel portfolio (approximately 300 m €). It is also notable that there has been an increase in sales of portfolios suited to investors with a value add or opportunistic profile.

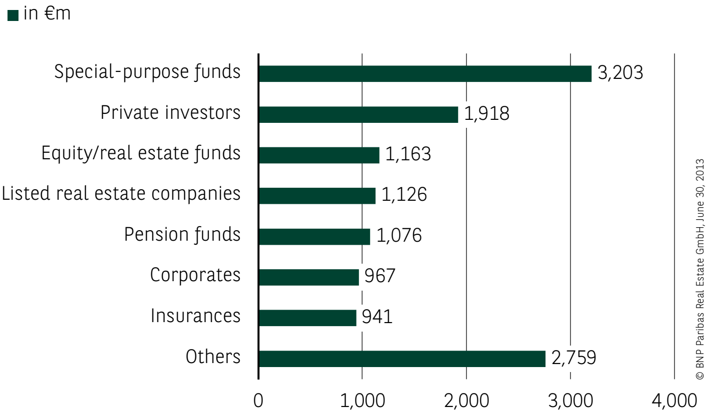
BIG SIX LOCATIONS POST GREAT TURNOVER

The volume of investment in the Big Six locations was 60 % higher than in the same period last year, reaching a total of more than 7.45 bn €. On a long-term comparison, this was the second-best result ever registered in the first six months of the year. The ranking so far is headed by Frankfurt, with over 1.7 bn € (+95 %). It is followed by Berlin, with more than 1.54 bn € (+48 %) and Munich, with just under 1.53 bn € (+10 %). But Hamburg also recorded an extremely good first-half performance (1.2 bn €, +68 %). By far the biggest year-on-year rise was registered in Düsseldorf (+180 %), where investment in the first six months of 2013 totalled just under 1.1 bn €. Although Cologne attracted far less investment (359 m €) than the other cities, it was nevertheless able to improve its prior-year result by all of 50 %.

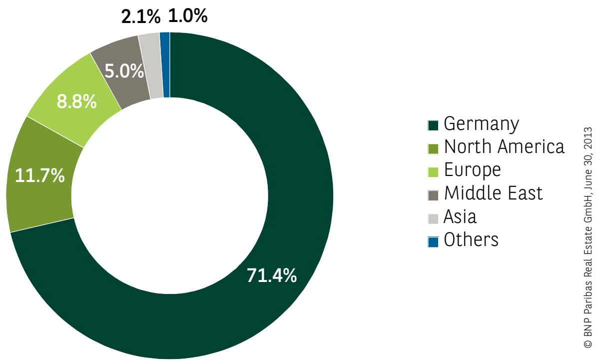
OFFICES AGAIN MOST FAVOURED PROPERTIES

Office buildings remain the most favoured asset class, accounting for 42 % of the transaction volume. In second place, as before, come retail properties, with around 28 %. Logistics complexes stepped up their performance by more than half and were responsible for 10 % of total investment. Thanks at least partly to the large portfolio deal mentioned above, hotels lifted their share to about 6 %.

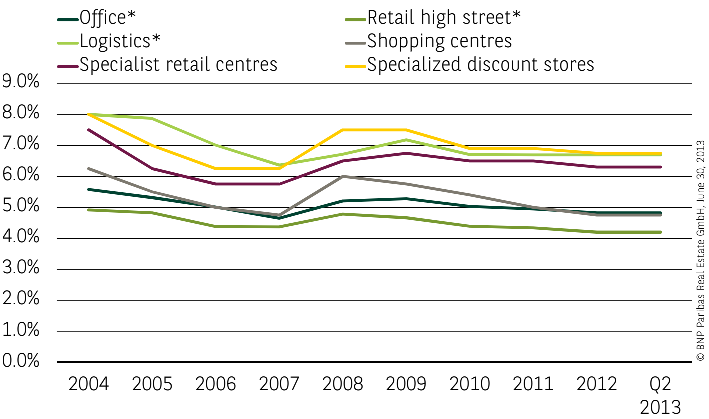
Investments according to buyers' groups H1



Investments according to origin of capital H1 2013



Development of net prime yields



* Ø Big Six

SPECIAL-PURPOSE FUNDS REMAIN MOST ACTIVE INVESTORS

With a share of 24 % of the transaction volume, special-purpose funds headed the list of investor groupings in the first half. Second place went to private investors/family offices, with 15 %, after already performing strongly in the first quarter. Then came equity/real estate funds and listed real estate companies, each with a share of around 9 %, ahead of pension funds, which contributed 8 % to the total.

BOTH GERMAN AND FOREIGN INVESTORS ACTIVE

Even though German investors, with just over 71 % of the transaction volume, again finished well ahead of investors from abroad (29 %), both groups deployed far more capital in absolute terms than they had in the prior-year period. The most active foreign investors were those from North America (almost 12 %) who pushed European investors (9 %) down into second place. It is noteworthy that around one quarter of the foreign investment volume came from market participants from the Middle East and Asia.

YIELDS STABLE

Office yields have stayed stable in all the cities under review. So, as before, Munich is the most expensive location for top properties, with a net prime yield of 4.60 %. It is followed by Hamburg with 4.70 % and Frankfurt with 4.75 %. Close behind come Berlin with a net prime yield of 4.80 % and Düsseldorf with 4.90 %. Cologne remains the only major city with a yield above the 5 % mark; the figure there is 5.20 %. The average prime yield for first-class retail/office properties in the best shopping streets in the six most important German cities is 4.20 %. Logistics complexes in the key locations have prime yields of between 6.50 % and 6.85 %. In view of the immense pressure of demand in the core segment, it is at least conceivable that prime yields may in some isolated cases ease somewhat in the further course of this year.

OUTLOOK

Investment markets are set to maintain their buoyancy in the second half of the year, with turnover at a high level. Demand for core properties remains strong and exceeds the available supply. New investors from abroad are continuing to press into the German market and increasingly they include equity-rich investors from Asia. At the same time there is a slight rise in the willingness to invest in value add and even opportunistic products, something which should continue to be reflected in portfolio transactions. Against this background, 2013 is likely to generate an exceptionally high investment turnover. Depending on developments in the field of financing arrangements, which at present represent an obstacle to an even higher investment total, a transaction volume of 25 bn and up to 30 bn € seems possible.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 30.06.2013

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