

Q4 2011 compared to...

	Q4 2010	Q3 2011
Investment turnover	↓	↑
Number of transactions	↓	↓
Prime office yield (Top 5 average)	↓	→
Capital value index office	↑	↑
Prime retail yield (Top 5 average)	↓	→
Prime shopping center yield	↓	↓
Prime retail warehouse yield	↓	→
Prime logistics yield	↓	→

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The German investment market for commercial properties saw a total investment volume of approximately €5.83bn in the last quarter of 2011 and therefore a slightly higher investment volume than in the previous quarter. The overall transaction volume for the entire year added up to a total of €22.62bn, which is not only an increase of 18% compared to the same period of the previous year but also the best result since the two boom years of 2006 and 2007. Positive economic outlooks, the lowest unemployment rate since the Reunification and a strong domestic consumption prove that Germany's economy is quite resilient in times of an on-going sovereign debt crisis in the euro zone. Hence, the German commercial real estate market continues to assert itself as one of the most secure and stable investment locations worldwide; a trend that is also reflected in the high share of foreign investors. Alone in 2011, they invested more than €7.6bn in German commercial properties and were therefore responsible for more than a third of the overall transaction volume.

In 2011, investment activities concentrated mainly on retail properties. In total, the sector accounted for almost €10.55bn or almost 47% of the overall transaction volume, which is a plus of 36 % compared to the previous year. This significant increase also indicates that many real estate investors are continuing to diversify their portfolios towards an asset class, which tends to be quite stable even in difficult economic environments. Particularly investors from outside the euro zone have expanded their investment activities in Germany; an example is the purchase of the PEP shopping centre in Munich-Neuperlach by the U.S.-American pension fund TIAA-CREF in Q4.

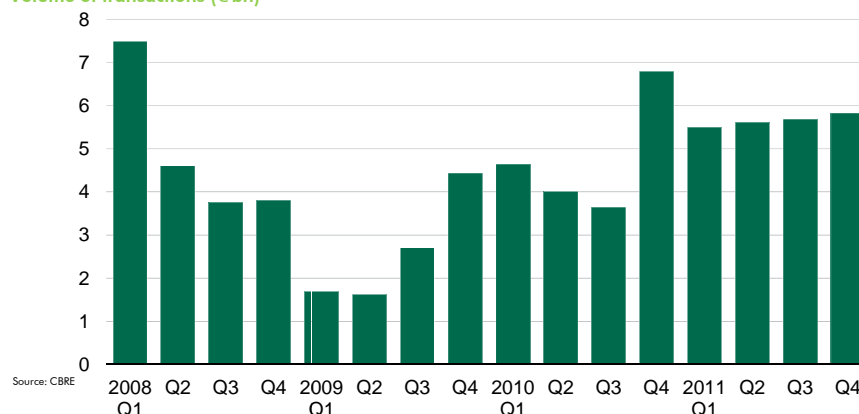
Investments in office properties amounted to €8.24bn or 36% of the overall investment volume. Especially the acquisition of the Silver Tower in Frankfurt - advised by CBRE - by a group of investors headed by IVG in the fourth quarter contributed to this result. With €904m, logistics and industrial properties accounted for 4% of the overall investment volume. Other investments accounted for €1.77bn or almost 8% of the overall investment volume, including hotel investments with €1.1bn (4.9%). Furthermore, almost €1.15m (6.4%) were invested in commercial development plots.

The five largest German investment centres Berlin, Dusseldorf, Frankfurt, Hamburg, and Munich recorded a total of €11.07bn in investments, 18% more compared to the previous year. These Top 5-locations were thus responsible for 49% of the overall German investment turnover. With a transaction volume of almost €2.89bn (62% y-o-y), Frankfurt takes first place, followed by Munich with €2.85bn (+70%), Berlin with €2.20bn (- 17%) and Hamburg with €2.13billion (+ 9%). Dusseldorf including its surroundings recorded an investment turnover of almost €1bn (- 25%).

Since investors continue to pursue more secure investment strategies, prime yields for prime commercial properties in all asset classes have remained on the same level as in the previous quarter. Initial yields for prime shopping centres in A-locations further have decreased by 0.1 percentage points to now 5.00 %. Due to high demand for core and core plus properties, we expect yields across most property classes to further stabilise on the current levels but decreasing yields in some sectors are quite possible.

Due to the weakening economy and the expectable lack of investment alternatives, we expect the demand for secure real estate investments to remain dynamic in 2012. Furthermore, it can be expected that in the second half of the year an increasing number of ailing and management intensive properties, particularly shopping centres, will become available on the market mainly because banks have to implement higher capital requirements and reduce problem assets from their balance sheets. Considering these circumstances, we expect for 2012 a comparable transaction volume as in the previous year.

Volume of transactions (€bn)



Source: CBRE

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