Warsaw, 19.01.2015

PRESS RELEASE

BNP PARIBAS REAL ESTATE PUBLISHES MARKET FIGURES FOR 2015

Investment turnover exceeds 56 billion euros: Second-best result ever

Investment in commercial property in Germany in 2015 totalled more than 56 billion euros – around 40 percent up on the already very good prior-year figure. This is revealed by the Investment Market Report 2016 which BNP Paribas Real Estate will publish in mid-February. The key results in brief:

- At more than 56 million euros, investment represents the second-best performance of all time, with the highest-ever volume of equity capital
- Almost 1,800 registered transactions
- Record-breaking single-deal investment total of 36.2 billion euros
- Office buildings stay in lead, but all asset classes post growth
- Big Six locations account for more than half of all turnover
- Foreign investors contribute 50 percent to the result, with Asia and the Middle East lifting their turnover figures
- Yield compression continues

"By itself, the final quarter generated turnover of close to 18 billion euros, thus – as expected – setting new standards and lifting the aggregate transaction volume to 56.26 billion euros, more than in any year except 2007. The number of transactions registered and evaluated in 2015
came to nearly 1,800. The outstanding result was due above all to the volume of single deals, which set a new record and exceeded the prior-year total by a handsome 30 percent. The significance of portfolio sales has also increased strongly and these posted a year-on-year rise on around 63 percent. All the same, the volume in this market segment was still far lower than in the two boom years of 2006 and 2007. Another notable fact is that all asset classes attracted considerably more investment than the year before. This impressively highlights the great interest shown by investors in Germany as a business location", says Piotr Bienkowski, CEO of BNP Paribas Real Estate Germany.

Single deals attracted more than 36.2 billion euros and thus almost two-thirds of aggregate investment. The trend towards large-scale assets has continued: altogether, 65 transactions in the triple-digit million euro range were registered. Particularly favoured by investors were large office buildings, such as the Trianon or the Eurotower in Frankfurt, and these were responsible for more than half of the major deals.

As was expected, portfolio sales are becoming increasingly important again and they stepped up their prior-year investment total by 63 percent to 20.05 billion euros. In this market segment, too, all asset classes benefited from the positive development. Hotel transactions in particular noted an appreciable rise in turnover. Forming a further trend is the growth of pan-European investment, which is very popular with many market players because of the large volumes that can be moved with just one deal. It seems highly likely that this development will increase in 2016.

Foreign investors accounted for a proportion of 50 percent, which was much the same as the year before. In the portfolio segment, they dominated activity with more than two-thirds of the total capital deployed, while their share of the single-deal total was around 39 percent. One notable fact is the perceptible growth in the significance of investors from Asia and the Middle East. Together, they were responsible for a transaction volume of nearly 5 billion euros. In view of the unabated scale of interest in – and greater familiarity with – the German markets, these sources will probably generate an even larger share of investment in 2016.
The biggest slice of investment capital went into office buildings, with 42 percent (23.6 bn €) of the total. Compared with the other asset classes, the proportion represented by package deals was relatively modest. In this respect, the situation with retail properties, which took second place, was quite different. They accounted for nearly one third of aggregate investment, with 18.5 billion euros, half of which comprised large-unit portfolio transactions, such as the sale of most of the Kaufhof properties, Klépierre's takeover of Corio, and the acquisition of mfi shares by Canada Pension Plan. In third place in the asset-class ranking came logistics complexes; these contributed more than 8 percent (4.65 bn €) to turnover, thus setting a new record. Something similar applies to hotel sales; these were responsible for just under 8 percent (4.39 bn €) of the total, exceeding their previous top result of 2014 by nearly 43 percent.

"Over half of all investment – 53 percent in fact – was deployed in the major German locations Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and with a total transaction volume of 29.64 billion euros they bettered their already excellent prior-year result by one third. All of these cities enjoyed higher turnovers. The unchallenged shooting star was the capital, Berlin, which attracted all of 8.28 billion euros (+94 %) – more than any other German city ever before", emphasizes Sven Stricker, Head of Investment at BNP Paribas Real Estate Germany. Next, with almost equal totals of just over 6 billion euros, came Frankfurt (+13 %) and Munich (+12 %), with the banking centre benefiting somewhat more strongly from portfolio sales included on a pro rata basis. Fourth place, as expected, went to Hamburg, which achieved a turnover of 3.98 billion euros (+4 %). The two Rhineland metropolises of Düsseldorf and Cologne both set new records, with nearly 3.2 billion euros (+47 %) and 2.18 billion euros (+63 %) respectively.

"The strong demand and the associated competition among investors for premium assets has prompted a further fall in prime yields, with the development in Berlin especially dynamic", says Stricker. Munich remains the most expensive city, with a net initial yield of 3.65 percent, but right behind it in second place comes Berlin, with 4.00 percent. This puts it equal with Hamburg, which for a long time occupied the No. 2 slot all by itself. Then, bunched close together, come the other cities: Frankfurt with 4.30 percent, Düsseldorf with 4.35 percent, and tail-ender Cologne with 4.45 percent.
“From today’s viewpoint, there are no signs of any scenario which could lead to the situation in the investment markets changing radically in 2016. With interest rates remaining at an historically low level, favourable financing conditions, a lack of investment alternatives and the upward trend in occupier markets, everything suggests that demand will at the very least maintain its present high level or even increase somewhat, partly thanks to foreign investors. Against this background, 2016 can be expected to generate another very high investment turnover. This is likely to be fuelled especially by portfolio sales, including in particular pan-European package transactions, which will impact substantially on the result. This means, though, that whether another performance matching last year’s can be achieved will depend less on the demand side and far more on the availability of an adequate supply of products. At the moment, however, there are many reasons for making a transaction volume in 2016 of around 50 billion euros appear a realistic proposition. So yields will probably ease further, though more slowly than before”, says Piotr Bienkowski, summing up the present outlook.

About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network, that represents today more than 3,200 people).

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