

## **The German investment market in the first half of 2006**

The Colliers PropertyPartners investment market report for the first half of 2006 covers the locations Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart.

### **Volume of transactions**

Even before the end of the first half of 2006 Berlin and Munich outdid their performance for the whole of last year. The federal capital reached a volume of transactions of ca. 1.5 billion euros. In the Bavarian metropolis properties to the value of ca. 1.85 billion euros have so far changed owners. Hamburg also is just about to outdo its annual performance of 2005 in a much shorter time. In the Hansa city investors spent around 1.4 billion euros for properties.

In Frankfurt too investors showed themselves ready to buy with a volume of ca. 1.42 billion euros. So far Düsseldorf has already reached more than half of its investment performance for the whole of the year 2005 with ca. 370 million euros and Stuttgart has achieved the same with ca. 280 million euros.

### **Purchaser categories**

The top 3 of the purchaser categories do not really give a uniform picture over all locations. Only project developers were active in all cities except for Munich and landed almost everywhere in third place (in Berlin in second place). Second place was taken by the open-ended property funds in Düsseldorf and Munich and the closed-end funds in Stuttgart. In Frankfurt and Hamburg private investors were the second strongest group of purchasers. The absolute top purchasers were the opportunity funds in Berlin and Frankfurt, the closed-end funds in Munich and the open-ended funds in Stuttgart. In Düsseldorf and Hamburg the purchaser group Other, which includes among others property companies, private equities and owner-occupiers, went especially on a buying spree. Except for Stuttgart foreign purchasers clearly

dominated the market in all cities. In the city on the Neckar the ratio of German to foreign investors was almost 50:50.

### **Vendor categories**

The vendor categories were also not uniformly willing to dispose of their properties. The largest volumes were released by the public purse in Berlin and Hamburg. In Düsseldorf it was the category Other, which included in particular property companies and private equities. In Frankfurt the open-ended property funds were the strongest sellers, in Munich it was project developers and in Stuttgart the so-called non-properties. Second place was taken by the project developers in Berlin, Frankfurt and Stuttgart, by the open-ended property funds in Düsseldorf, the closed-end funds in Munich and the insurance companies in Hamburg. The category private investors follows in Frankfurt and Hamburg, the category Other in Berlin, the pension funds in Düsseldorf, the public purse in Munich and the insurance companies in Stuttgart.

### **Products in demand**

Office buildings were the most sought-after properties in all cities except for Stuttgart. In Berlin, Hamburg, Munich and Stuttgart retail properties were also in great demand. In addition to this, hotel properties in Berlin and Frankfurt changed owners. Commercial and logistics properties came into new ownership in Düsseldorf and Stuttgart respectively. Land was also in demand in Frankfurt. Yields were stable in Frankfurt and Hamburg but declined slightly in Düsseldorf, Munich and Stuttgart and also in Berlin from the second quarter onwards.

In the medium term the supply of suitable properties in Berlin, Düsseldorf, Frankfurt, Hamburg and Stuttgart will come mainly from existing stock. Only in Munich will new building play a more important part. Project developments are on the drawing board in Düsseldorf, Hamburg, Munich and Stuttgart and can also ensure further products. Speculative building is taking place in Düsseldorf, Hamburg and Munich. Here the markets are becoming more and

more active and the readiness to take risks is increasing. In Frankfurt a small amount of speculative new building activity can be observed exclusively in prime (1a) locations.

## **Prospects**

The good growth in the Berlin investment market in the first half year will continue until the end of the current year, in the estimation of the Colliers Partners Geske Immobilien GmbH. Whilst yields will decline in the city locations a tendency to rise can be expected for yields in the peripheral locations. With special properties, retail and logistics properties slight rises in yields can also be expected.

For Düsseldorf too the Colliers Partner Trombello Kölbel Immobilienconsulting GmbH assumes that the transaction performance at the end of 2006 will be considerably above last year's result. Should the sales which are currently under negotiation be concluded this year the 1 billion euro mark could even be reached. Since the letting market is growing, the willingness to develop new projects and also to build speculatively is also increasing. Both the yields in the top locations will continue to give way from 5.5% to 6.0% and also in the good locations from 6.0% to 6.5%.

Based on the transactions recorded to date, the portfolios being marketed and the demand overhang existing as before in the Frankfurt investment market, the Colliers Partner Schön & Lopez Schmitt GmbH expects a high volume of transactions similar to the 3.3 billion euros or so in 2005 for the current year. The yields will stay at the currently low level since investors are now relying more strongly on the increase in value of the properties through active asset management. In the city centre yields stand at ca. 5%. Good properties in peripheral locations are being traded on the basis of a statistically initial yield of around 6.25% to 6.5%.

The almost certainly record volume of transactions in Hamburg is due essentially to the city Primo-Portfolio Cluster 1 and 2. Since a remarkable number of larger transactions are in the pipeline the Colliers partner Grossmann & Berger GmbH forecasts a total volume for 2006

of over 2.4 billion euros. Demand is coming increasingly from abroad, where European investors are taking the lead. There is also an increasing flow of private capital, mainly from Ireland, England, France and the Scandinavian countries to Hamburg. In addition to this, German project developers are looking for interesting, city-centre sites. The supply of suitable properties will remain limited in the coming years. The yields will drop and the prospects for individual investments will rise.

The Munich investment market will also increase its volume of transactions compared with last year considerably, in the opinion of the Colliers partner Immobilien-Kontor Schauer & Schöll GmbH. The 3 billion euro mark could be reached. Yields will remain at their current level, but will drop slightly for top products. For Stuttgart also the Colliers Partner Bräutigam & Krämer GmbH & Co. KG forecasts a higher output of transactions. In particular the high volume of a whole series of individual sales will contribute to this. The number of transactions carried out will however not increase because of the continuing lack of supply.