

German Property Investment Markets in 2005

The Colliers PropertyPartners property investment market report for the year 2005 covers the locations Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart.

Volume of transactions

All the above locations were able to increase their annual figures in comparison with the previous year. The easy winner here was Frankfurt. Germany's foremost financial centre achieved an increase of 1.98 billion euros (+ 146 %) with its volume for the year of ca. 3.33 billion euros. Hamburg's transaction volume of ca. 1.8 billion euros represented an increase of 700 million euros (+ 64 %). In Berlin properties to the value of around 1.4 billion euros changed hands, an increase of ca. 500 million euros (+ 56 %). In Munich and Düsseldorf the increase was not so high. The Bavarian metropolis, with its transaction volume of ca. 848 million euros, achieved a result which was 42 million euros (+5 %) higher than in 2004, while the city on the Rhine increased its annual performance by 59 million euros (+10 %) to ca. 644 million euros. In Stuttgart investors spent around 410 million euros for properties. They were thus ca 130 million euros (+ 46 %) more willing to purchase than in the previous year.

Both as regards the volume and the number of transactions made the sale of individual buildings predominated in all cities. It must be said however that in Frankfurt the predominance was not so great as in the other cities. The maximum factor ranged between 18.5 and 25.0. The minimum factor reached figures between 4.0 and 13.0.

Groups purchasing

The largest volume was acquired in Berlin by the closed-end funds with a share of ca. 24 % of the volume of transactions. Considerable contributions were made also by private investors (22 %), opportunity funds (19 %) and project developers (18 %). The latter excelled in Düsseldorf with a share of 28 %. Opportunity funds and pensions funds purchased 21 %,

closed-end funds 13 %. The former had the largest share in Frankfurt with 49 %, followed by the purchasing group “Others”, which includes property corporations, property consortia and owner-occupiers, with a share of 40 %. This group acquired the largest volumes in Hamburg with 22 % and in Munich with even 60 %, and left all other groups far behind in the city on the Isar. In the Hansa city private investors, opportunity funds, open-end funds and closed-end property funds achieved a share of 21 %, 18 %, 16 % and 14 % respectively. The open-end property funds were the strongest group of purchasers in Stuttgart with a share of 42 %, followed by insurances (18 %), private investors (15 %) and project developers (14 %). Only purchasing groups with a share of 13 % or more are mentioned here.

Most purchases in Berlin were made by project developers with 26 % and private investors with 25 % of all transactions. In Düsseldorf opportunity funds and project developers were the most active with 21 % each. The former purchased 38 % of the total in Frankfurt and “Others” 34 % of the total. Private investors bought most often (29 %) in Hamburg. Project developers (18 %) and opportunity funds (16 %) landed in second and third place respectively. In Munich the purchasing group “Others” made 41 % of all property purchases. Project developers took their turn in 29 % of all cases. The open-end property funds and project developers each had a quarter shares in Stuttgart. Insurances were hardly less active with 22 %.

Only the purchasing groups with the highest shares are mentioned.

Groups of sellers

Properties were sold by open-end property funds on the same scale with 22 % of the total, private investors with 21 %, the seller group “Others” with 20 % and the project developers with a 19 % share of the total volume of transactions in Berlin. In Düsseldorf it was non-property companies which sold the largest volume with 55 %. Opportunity funds contributed a quarter of the value of properties sold. In Frankfurt the seller group “Others” with 29 % and the open-end property funds with 26 % made the most considerable contribution

to the volume of transactions. Project developers and the public purse reached a share of 15 % and 13 % respectively. The developers sold 27 % of the property assets which changed hands in Hamburg, 51 % in Munich and 38 % in Stuttgart. In the north German port city open-end property funds and non-property companies parted with properties to the value of 21 % and 20 % respectively of the volume of transactions in Hamburg. In the Bavarian state capital this was done by private investors and the seller group “Other” in the order of 24 % and 19 % respectively. In the city on the Neckar the non-property companies contributed a quarter and private investors 19 % of the volume of property disposed of there.

Only the seller groups with a share of 13 % or more have been mentioned.

Most sales in Berlin have been made by the public purse and by project developers accounting for 23 % each of all transactions. In Düsseldorf the non-property companies with 37 % were the group most willing to sell. In 54 % of all sales in Frankfurt it was the seller group “Others” which parted from its properties. Project developers and private investors were the most frequent buyers in Hamburg with 21 % and 20 % respectively of the total. The developers also showed themselves the most willing to sell with 50 % in Munich and with 38 % in Stuttgart. In addition the seller group “Others” were very busy in the Bavarian metropolis with a share of 32 % of all transactions. In the state capital of Baden-Württemberg the non-property companies and private investors each made a considerable contribution with a share of 25 % and 19 % respectively.

Only the groups of sellers with the highest shares have been mentioned.

Types of properties

In all cities office properties dominated the transactions scene – even if very differently. They stood very high up on the shopping list in Düsseldorf, where office property was sold in 72 % of all cases. Hamburg, Berlin and Frankfurt followed with 67 %, 58 % and 56 % respectively. Almost half of all properties sold in Munich were office buildings, in Stuttgart however it was only 31 %. Second place in Berlin was taken by site sales with a share of 19 % and in

Düsseldorf it was retail property with 14 %. In Frankfurt and Hamburg site sales came second and third with 17 % and 10 % respectively. Besides this hotels were also popular in the Alster city with 10 % of the total transaction volume. In Munich one fifth of all properties sold were retail properties or site sales and in Stuttgart it was a quarter in each case.

Whereas in Stuttgart retail properties contributed most to the volume of transactions with 41 %, it was office properties in the other five cities. 84 % of the volume of transactions in Frankfurt involved this kind of property. The proportion was similarly high with 81 % in Berlin. In Hamburg, Düsseldorf and Munich office properties account for a proportion of the volume of transactions amounting to 71 %, 53 % and 44 % respectively. Of greater importance in Düsseldorf were hotel properties with 31 %, in Munich retail properties with 39 % and in Stuttgart office properties with 32 %.

Conclusion and forecasts

The good performance of the Berlin investment market is surprising, since previously, according to the Berlin property specialist Geske Immobilien GmbH, a further decline in results was expected in view of the first weak half-year. It is also remarkable that over half of the turnover (56 %) is accounted for by foreign investors. The reasons were favourable purchase prices and high yields. In addition these investors are relying on a recovery of the German economy in the medium term. The proportion of foreigners will remain at a constantly high level in the next few years, whereby the interest in office properties and also in shopping centres, shopping arcades, department stores, specialist retail outlets and logistics properties will continue to grow. In our estimation the now visible change for the better in Berlin will continue over the next few years. During this time the traditional groups of purchasers will be squeezed out even more. Their favourite investment product – fully-let office buildings with tenants on long leases – is hardly available any more. As a result of this, portfolio transactions and sales of defaulting property loans by the banks to opportunity funds, core investors and private consortia will continue to increase.

The Düsseldorf investment market has improved slightly but has not yet reached the very good result of almost 870 million euros in 2003. According to observations by Colliers Partner Trombello Kölbl Immobilienconsulting GmbH opportunity funds are gaining increasingly in importance both with sellers and also with buyers. The inner city is as before the most sought-after location. Around 60 % of the total volume of transactions was made in this sub-market. Yields have dropped slightly because of the great demand and the demand is continuing above all for retail and logistics properties. Since there are hardly any more project developments taking place in the office property area, low vacancies and shorter lease terms will be accepted in future more frequently by purchasers for properties. Foreign capital will continue to play an important role, although German investors are coming back also.

With its volume of transactions Frankfurt is well out in front of other German cities. The proportion of international investors rose from 19 % the previous year to 56 % in 2005. The Colliers Partner Schön & Lopez Schmitt GmbH sees this as clear evidence that the Frankfurt investment market is gaining more and more in international importance. Since this location in particular will profit from the lasting interest of international investors in the German market a top result can also be expected for 2006. With the most importance purchaser groups there will be hardly any changes in the new year.

In the Hamburg investment market the Colliers partner Grossmann & Berger GmbH is registering a considerable revival for the first time in many years. Not only has the tendency to rising turnover over many years been continued, but also volumes of individual transactions have again risen. With 19 sales of 30 million euros and upwards alone, a turnover of 1.15 billion euros has been achieved. This corresponds to a share of ca. 65% of the whole volume in Hamburg. The demand by German and increasingly also international investors for commercial investment properties will continue to increase considerably in the year 2006. It remains to be seen whether the supply of properties will be sufficient. It is already evident now

that in the year 2006 alone Hamburg's so-called PRIMO package will set off a volume of transactions of at least 750 million euros.

The high demand in the Munich investment market has been only partially satisfied, since in particular the assets in demand by foreign investors from the sectors retail and residential and sale and lease-back have only been available in limited quantities and will also remain so. Classical office buildings and office and retail buildings found new owners at a stable price level.

As already in the previous year the year 2005 was marked by very strong demand from both German and foreign institutional property investors. The volume of transactions could be increased again. In the estimation of the Colliers partners Bräutigam & Krämer GmbH & Co. KG it could turn out even higher but for the limited supply of commercial investments. The lowest vacancy rate throughout Germany of ca. 5.6% has prompted project developers in 2005 to initiate new projects in the areas of the City and the City fringe however. For this reason attractive investment possibilities will occur in the year 2006 in the inner city.