Real Estate
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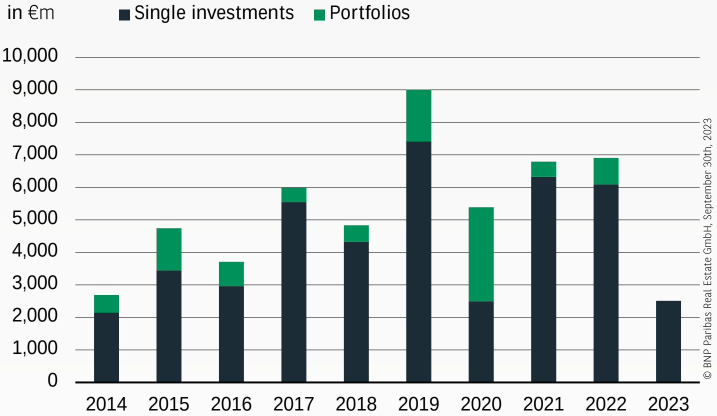
RESEARCH

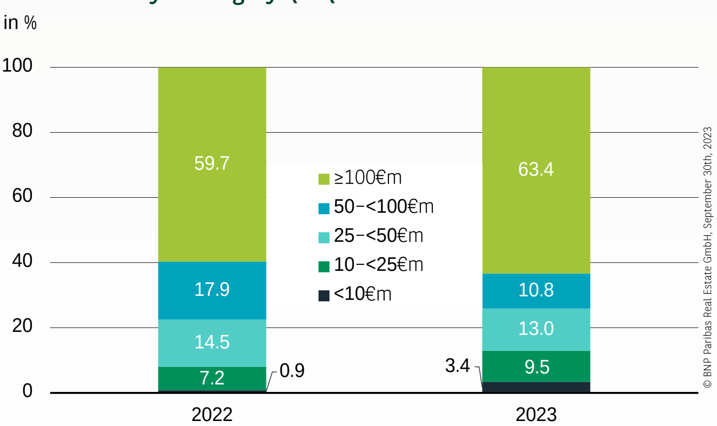
At a Glance Q3 2023

INVESTMENT MARKET BERLIN

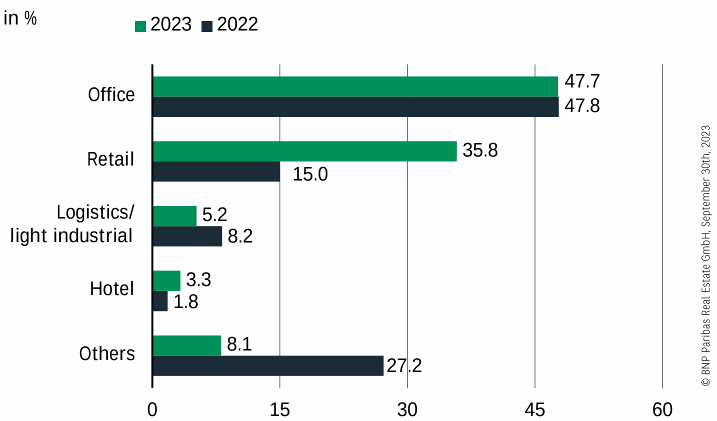
Investment volume Q1-Q3



Investments by € category Q1-Q3



Investments by type of property Q1-Q3



STRONGEST MARKET AMONG THE A-CITIES

Parallel to the nationwide development, many investors in Berlin continue to adopt a cautious approach due to the still incomplete pricing phase: With an investment volume of a good €2.5 billion and a decline of around 64% compared with the same period in 2022, the Berlin investment market is thus unable to match the results of the very good previous years even after three quarters. Nevertheless, Berlin is in a comparatively good situation. Overall, more than one-third of the investment volume of the seven A-locations is attributable to the capital, followed in second place by Munich with just under €1.1 billion and a large gap ahead of Hamburg, where a good €840 million was invested. Berlin's leading position is primarily due to a number of larger deals. Share deals such as the investments in KaDeWe and the two office projects Mynd and BEAM are among the largest transactions nationwide in the current year. In contrast to previous years, the current result is based exclusively on individual deals. By contrast, no transactions involving the sale of Berlin real estate within larger portfolios have been recorded to date.

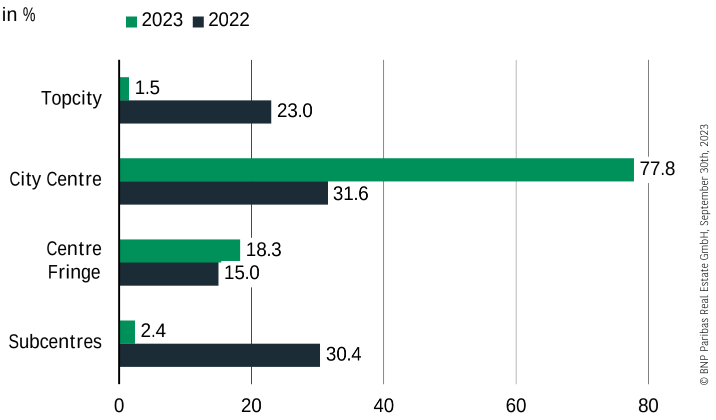
OVER HALF OF THE VOLUME GENERATED WITH LARGE DEALS

At first glance, the distribution of investments by size category resembles that of the previous year, albeit at a different level. As a result of the investments already mentioned, properties worth €100 million or more account for a large proportion of the transaction volume (63%). In second place are deals between €25 and €50 million , which contribute around 13% to the result, followed by the next largest class between €50 and €100 million (11%). In addition, just under 10% hold properties between €10 and 25 million. The smallest segment below €10 million accounts for the remaining 3%, which is also the only segment in which slightly more investments were made in absolute terms than in the same period of the previous year.

OFFICES WITH PREVIOUS YEAR'S SHARE; RETAIL STRONG

With a share of 48%, office properties maintain the previous year's figure and assert themselves as the strongest asset class despite weakening user markets. This demonstrates that investors are fundamentally positive about the further development of the office market in Berlin. A good third of the invested capital also flowed into retail properties (36%), with the investment in KaDeWe making a decisive contribution. In addition, logistics assets contributed 5% and hotels a good 3% to the result.

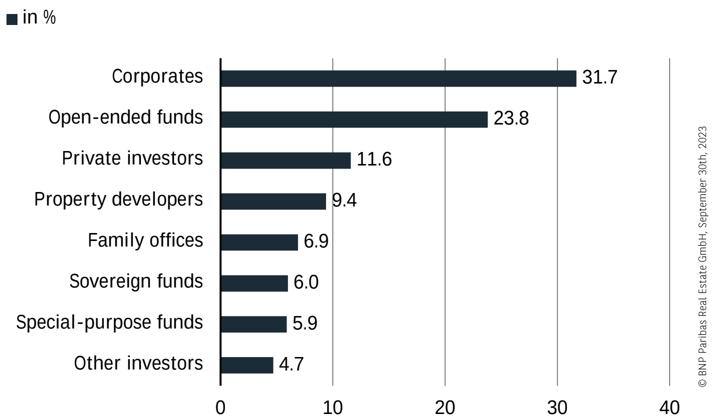
Investments by location Q1-Q3



CITY LOCATIONS REMAIN STRONG

Traditionally, Berlin is a very broad-based market, with investments spread across the entire market area. In the current year, however, there has been a focus on city locations: More than three quarters of the volume is attributable to these submarkets. The decisive factor here is that all major deals are located in these zones, but also that investors prefer central locations with sustained good location quality, especially in uncertain times. At just over 18%, the centre fringe makes a significantly smaller contribution, but is on a par in terms of the number of properties sold. However, the average volume of €23 million is significantly lower than in the city locations (approx. €98 million). Investments in the top city and subcentres have not yet made a major impact. In Topcity in particular, the pricing phase, which has not yet been completed, is likely to have played a decisive role, especially in the core segment.

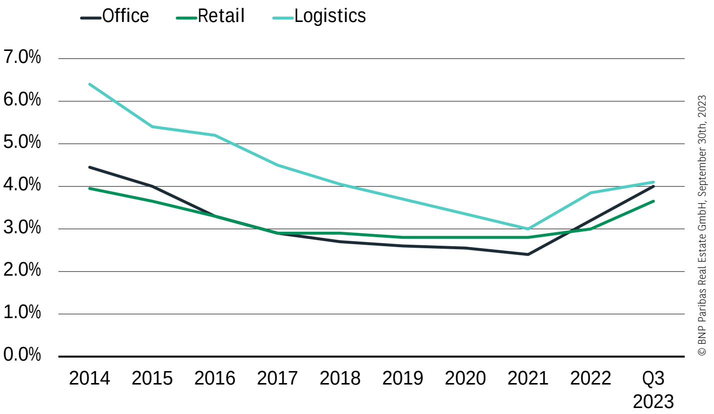
Investments by buyer group Q1-Q3 2023



CORPORATES AND OPEN-ENDED FUNDS PARTICULARLY ACTIVE

The buyer structure reflects the purchases of the major deals: Corporates are responsible for 32% due to the KaDeWe shares, followed by open-end funds with 24%, which acquired shares in Mynd and Galeria Weltstadthaus. Private investors are in a very good third place with 12% having made above average investments over a 10-year period - which is a clear sign of confidence in the Berlin market. The good rankings of project developers (9%) and family offices (7%) are also evidence of a positive basic attitude. The contribution from foreign investors was just under 43% at the end of Q3, which is below the level of previous years but still well above the national figure (35%).

Net prime yields by type of property



FURTHER RISE IN YIELDS

In view of the repeated interest rate hikes by central banks, yields across all asset classes have risen further. For example, the net prime yield for offices rose by 25 basis points to 4.00%, and inner-city commercial properties are also 15 basis points higher than in the previous quarter at 3.65%. The increase in logistics assets was slightly lower: At 4.10%, the prime yield here is 10 basis points higher than at the end of Q2.

OUTLOOK

The Berlin investment market has performed better than any other market in Germany in a difficult market environment. It is benefiting from a comparatively extensive supply side in the core segment. However, assuming that the central banks adjust interest rates again, the price-fixing phase is likely to persist in the capital and continue to slow down investment activity.

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