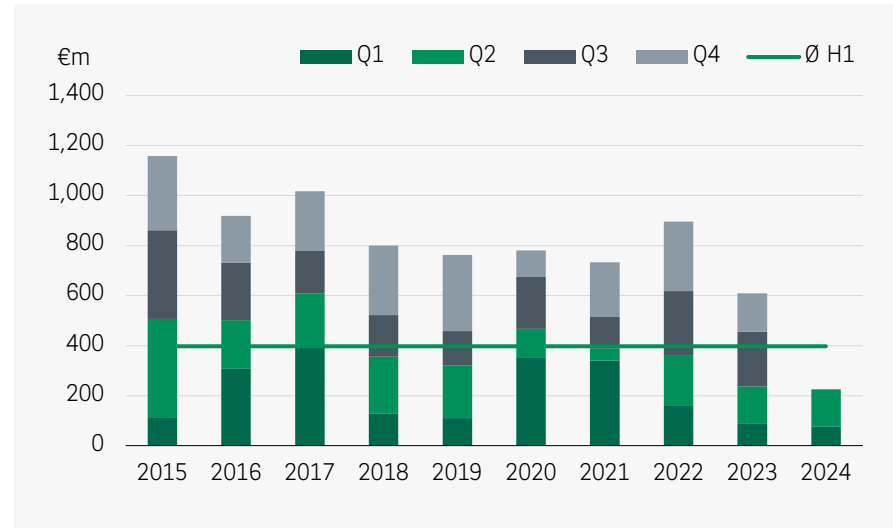


LEIPZIG

# REPORT INVESTMENT MARKET

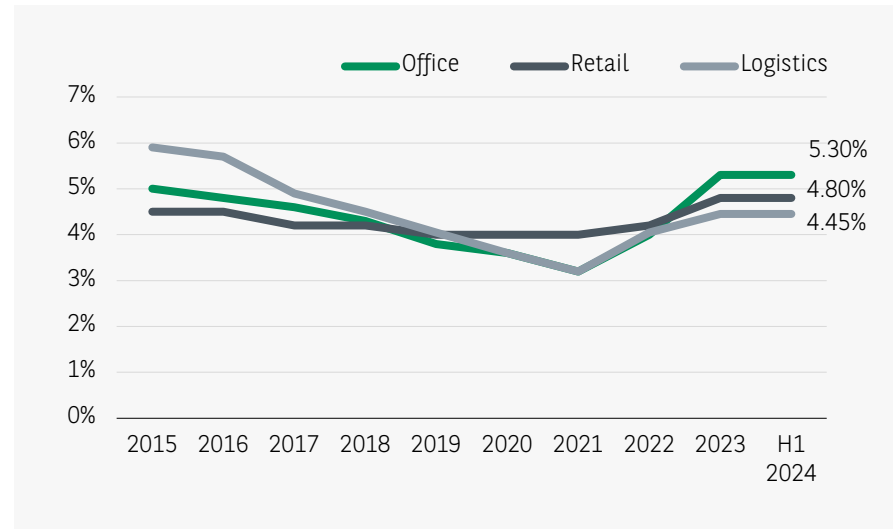
H1 2024

## Development of investment volume



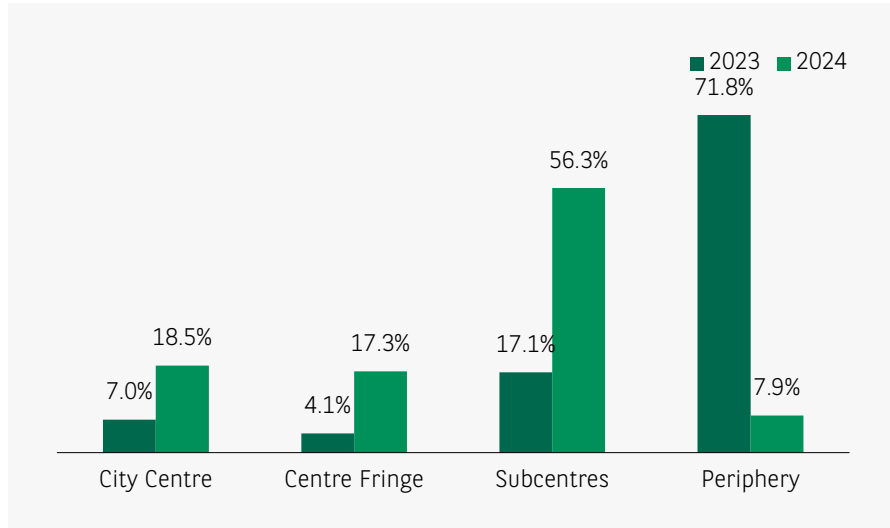
**HIGHEST INVESTMENT VOLUME  
AMONG THE B-LOCATIONS**

## Net prime yields by type of property

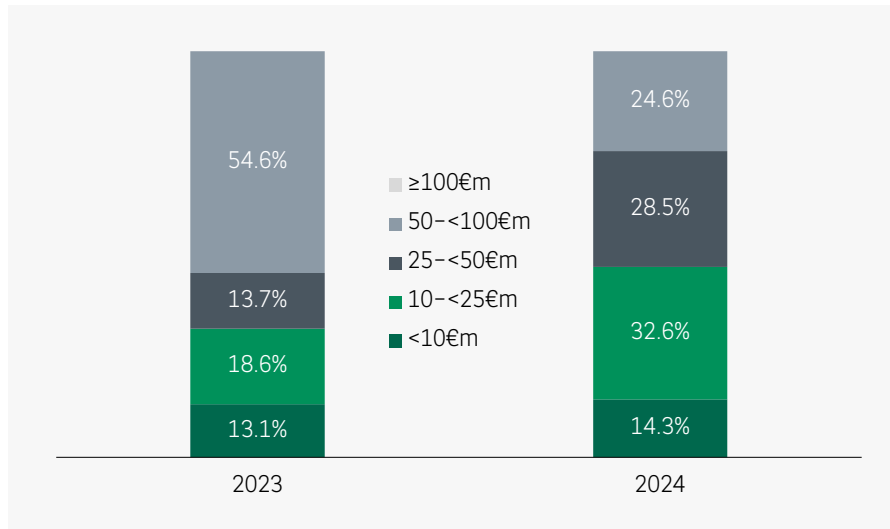


- In the first half of 2024, an investment volume of around €226 million was registered on the Leipzig commercial real estate market. The result is therefore slightly (4%) below the prior-year half-year result and around 43% below the long-term average (just under €400 million). Despite a relatively resilient user market compared to other top locations, the challenging financing environment and the fact that the pricing phase has not yet been fully completed led to greater reluctance to buy among investors in Leipzig. Nevertheless, after the first six months of the year, Leipzig records the highest investment volume among the B-locations and ranks 6th in Germany (ahead of Stuttgart).
- Compared to the very subdued start to the year (€76 million), there was a certain acceleration in transaction momentum in the second quarter (€150 million). However, it is striking that no deal exceeded the €50 million mark in the second quarter.
- Encouragingly, the office asset class, which is still in a consolidation phase at a national and international level, recorded a noticeably higher transaction volume in the second quarter compared to the first quarter. Nevertheless, the investment volume in office properties is 30% below the long-term average.
- Prime yields have also remained constant compared to the first quarter of 2024. Net initial yields for office properties remain at 5.30%, for commercial properties in prime locations at 4.80% and for warehouse and logistics properties at 4.45%.

## Investments by location H1



## Investments by € category H1



## OFFICE WITH NOTICEABLE RECOVERY COMPARED TO H1 2023

- As in the first quarter, subcentres in particular dominated the market with 56% market share by the end of the first half of the year. In contrast, the long-term average is just over 26%. The current prevalence of subcentres is primarily due to a lack of supply in central locations.
- At €57 million (Ø10 years: €52 million), logistics stands out as the only asset class with an investment volume slightly above the long-term average. By contrast, for the hotel (-83%) and retail (-75%) asset classes, a severe decline in investment activity compared to the ten-year average had to be recorded.
- The investment volume is distributed relatively evenly across the size classes. However, the market share of the medium-sized segment between €10 million and €50 million was above average at a cumulative 61% (Ø10 years: 41%).

## Investments by type of property H1





- In the first half of 2024, Leipzig's investment market missed the necessary momentum of previous years, similar to last year. At -43%, the decline in Leipzig compared to the long-term average was of a similar magnitude to the A-locations (-45%). The challenging combination of a weakening economic environment and more expensive financing conditions is also having a dampening effect on transaction activity on Leipzig's investment market. The forecasts of leading economic research institutes indicate that the economic environment will remain weak in the second half of the year, but is already picking up again slightly. However, a significant boost for the Leipzig occupier market, based on a reviving economic engine, is only expected in the coming year.
- As in the investment markets of other top locations, Leipzig's investment volume is only likely to move towards the long-term average once basic confidence in the office asset class has returned. However, an investment volume in the region of the previous year (around €600 million) seems conceivable by the end of 2024.
- At its last meeting in June, the European Central Bank took the first step towards lowering interest rates. In anticipation of a gradual decline in inflationary pressure, further interest rate cuts are likely to follow in the coming quarters. In combination with already largely corrected valuations, stable to slightly falling yields appear to be the most likely scenario from today's perspective.

## Key facts investment market Leipzig

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	236	226	-4.4%
Portfolio share	0.0%	29.2%	+29.2%pts
Share above €100 million	54.6%	24.6%	-30.0%pts
Office share	5.3%	30.4%	+25.1%pts
Share of city locations	7.0%	18.5%	+11.5%pts
Share of foreign investors	7.8%	26.3%	+18.5%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Office	4.95%	5.30%	+35bps
Retail	4.75%	4.80%	+5bps
Logistics	4.20%	4.45%	+25bps

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