

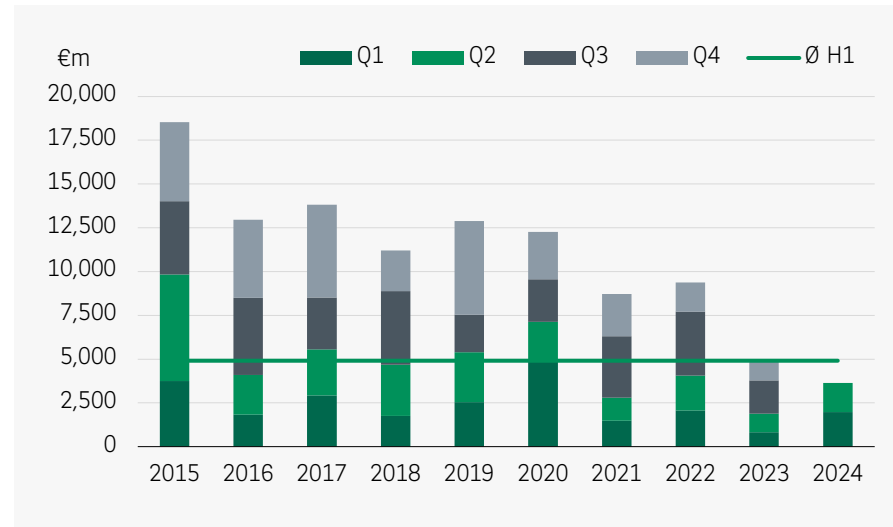
GERMANY

# REPORT

# RETAIL INVESTMENT MARKET

H1 2024

## Development of retail investment volume H1



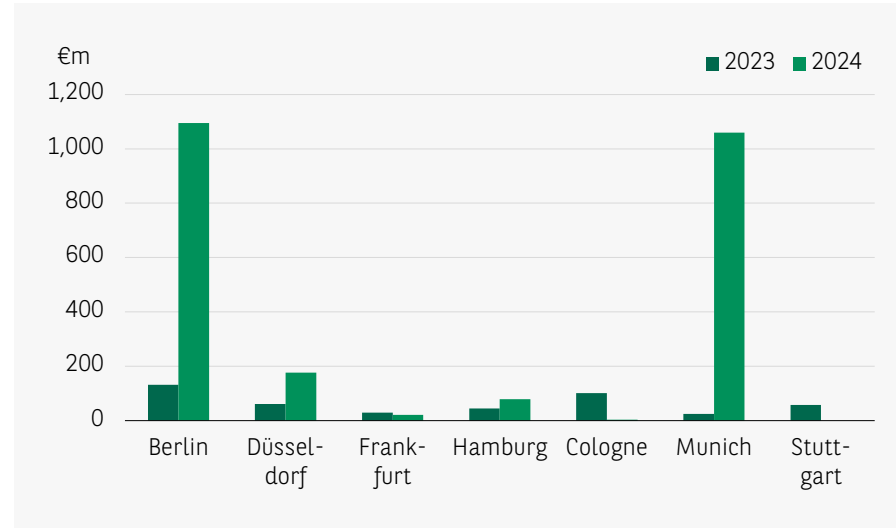
## Retail investments by type of property



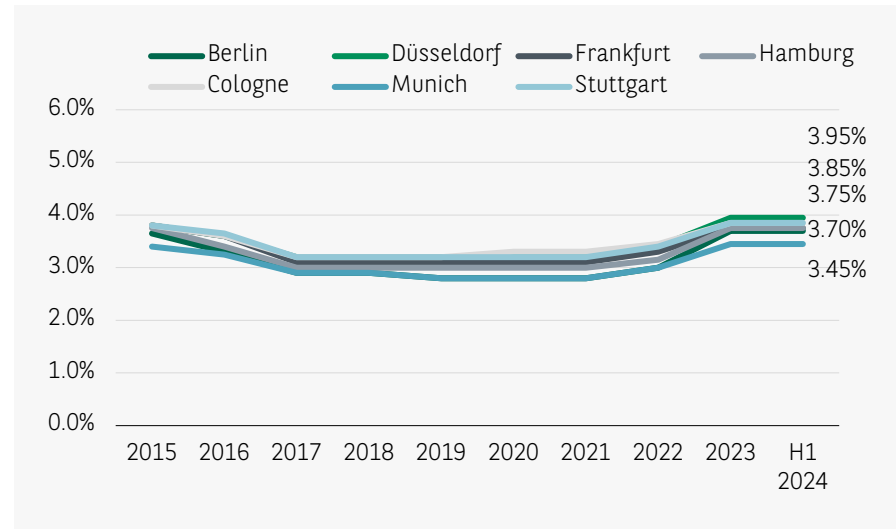
## RESULT BETWEEN PREVIOUS YEAR AND AVERAGE - RETAIL STILL IN THE LEAD IN ASSET CLASS RANKING

- Two important trends can be derived from the transaction volume on the retail investment market at the mid-year point. On the one hand, the overall result for the first six months, at just over €3.6 billion, is higher than last year (+92%), but at the same time below the long-term average (-6%). Although this reflects the noticeable improvement in market sentiment towards the middle of the year, the average volumes of the past ten years are not yet achievable.
- On the other hand, retail investments were able to defend their leading position in the asset class comparison, which they already held after the first quarter. With a market share of 30% in H1, they continue to lead the ranking of the most important property types, ahead of logistics (around €2.8 bn; 23% share) and office properties (€2.2 bn; 18% share). It is pleasing to note that retail investments not only had the highest market momentum due to large deals, but also recorded the highest number of transactions, indicating the good competitive position of the retail segment compared to other asset classes.
- Given that department stores account for 39% and other high street properties for 37% of total investment volume, city centre properties stand out in terms of the distribution of sales by property type. In the department store sector, the sale of KaDeWe to the Central Group and RFR's acquisition of a majority stake in seven Galeria stores are the most notable transactions. In the field of high street properties, the major deals of Fünf Höfe and Maximilianstrasse 12-14 in Munich are worth mentioning, as well as many smaller deals. As the third important pillar. The retail warehousing segment also has a substantial share of 23%.

## Retail investments in A-locations H1



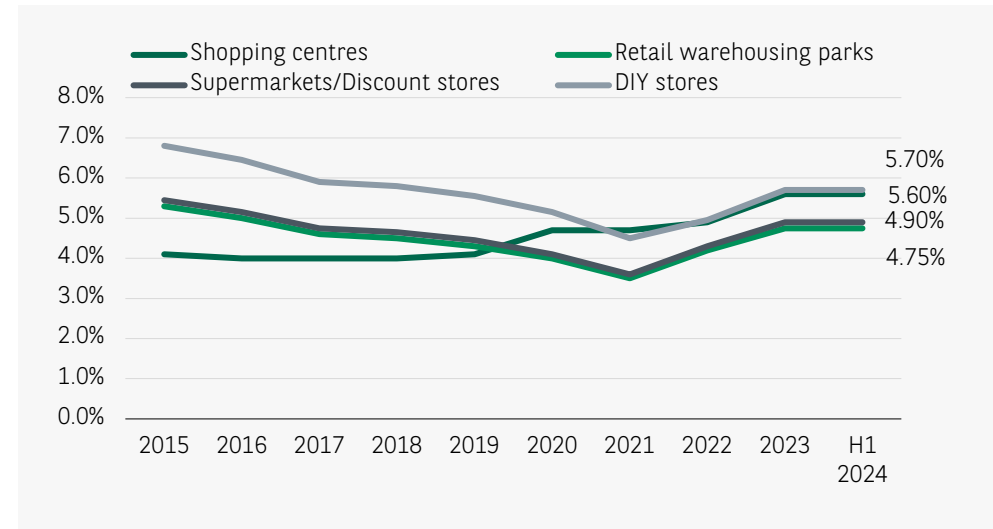
## Retail high street net prime yields in A-locations



## A-CITIES: €2.4BN AND NO FURTHER YIELD ADJUSTMENTS

- In the major markets, retail investment volumes remain closely linked to a few large transactions in the triple-digit millions. Accordingly, only Berlin (just under €1.1 billion) and Munich (around €1 billion) were able to generate high volumes through the aforementioned deals for KaDeWe in Berlin and Fünf Höfe and Maximilianstrasse 12-14 in Munich. In addition to these sales drivers, the A-cities also saw a number of smaller deals comprising high-street properties, department stores and grocery stores, but these had only a minor impact on total turnover. In total, the A-locations accounted for around €2.4 billion (67%) in the first half of the year.
- There were no further adjustments to net prime yields in the first six months. This puts the seven A-cities in a range of 3.45% to 3.95%. Retail parks are quoted at 4.75%, individual food retailers at 4.90%, shopping centres at 5.60% and DIY stores at 5.70%.

## Retail net prime yields by type of property



\*excl. portfolios

## OUTLOOK

- The retail investment market has had a promising first half of the year, taking the lead among asset classes, with some large transactions and no further price falls in the prime segment for the time being.
- The fact that high-street investments are making a decisive contribution to the positive market development is a positive sign.
- The portfolio segment, which is currently underrepresented with a share of just under 15%, is expected to pick up significantly in the coming quarters. Portfolio sales with a focus on the food sector will continue to be the focus of demand.
- As a result, investment activity in the retail warehousing sector, which has accounted for around half of market activity on average over the last ten years (H1 2024: 23%), is expected to gain significant market share in the second half of the year.
- The trend in the development of prime yields shows that the price adjustment processes have now noticeably lost momentum. From today's perspective, yields are not expected to rise further in the second half of the year.
- In view of the conditions outlined above, it is likely that the volume of retail investment at the end of the year will also be higher than in 2023 (around €5 billion). However, the long-term average (approx. €11.5 billion) is unlikely to be reached in the running year without special factors, which are currently not on the horizon.

### Key facts retail investment market Germany

| INVESTMENT VOLUME          | H1 2023 | H1 2024 | CHANGE    |
|----------------------------|---------|---------|-----------|
| Total (€m)                 | 1,894   | 3,639   | +92.2%    |
| Portfolio share            | 43.0%   | 14.7%   | -28.2%pts |
| Share above €100 million   | 29.4%   | 65.7%   | +36.3%pts |
| Share of A-cities          | 23.9%   | 66.9%   | +43.0%pts |
| Share of foreign investors | 31.2%   | 44.7%   | +13.5%pts |

| NET PRIME YIELDS | H1 2023 | H1 2024 | CHANGE |
|------------------|---------|---------|--------|
| Berlin           | 3.50%   | 3.70%   | +20bps |
| Düsseldorf       | 3.90%   | 3.95%   | +5bps  |
| Frankfurt        | 3.75%   | 3.75%   | +0bps  |
| Hamburg          | 3.65%   | 3.75%   | +10bps |
| Cologne          | 3.75%   | 3.85%   | +10bps |
| Munich           | 3.45%   | 3.45%   | +0bps  |
| Stuttgart        | 3.80%   | 3.85%   | +5bps  |

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