GERMANY

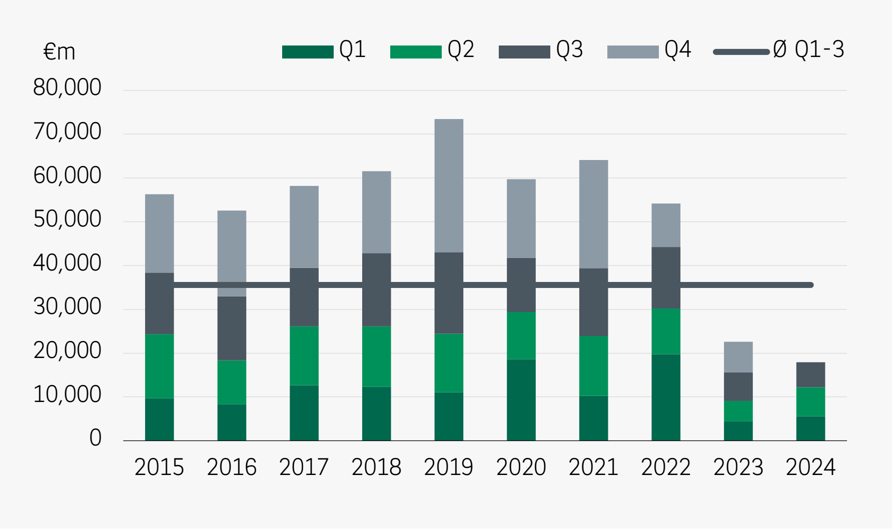
REPORT INVESTMENT MARKET

Q1-3 2024

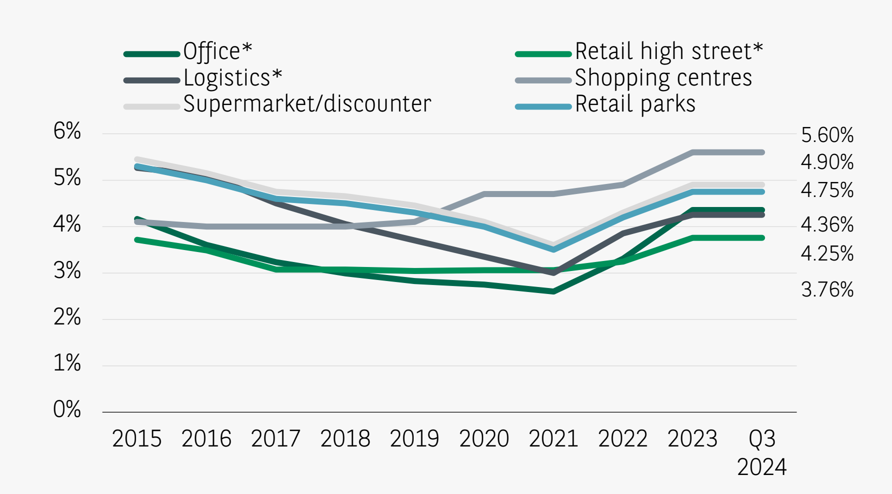
BNP PARIBAS REAL ESTATE

REAL ESTATE for a changing world

Development of investment volume



Net prime yields by type of property

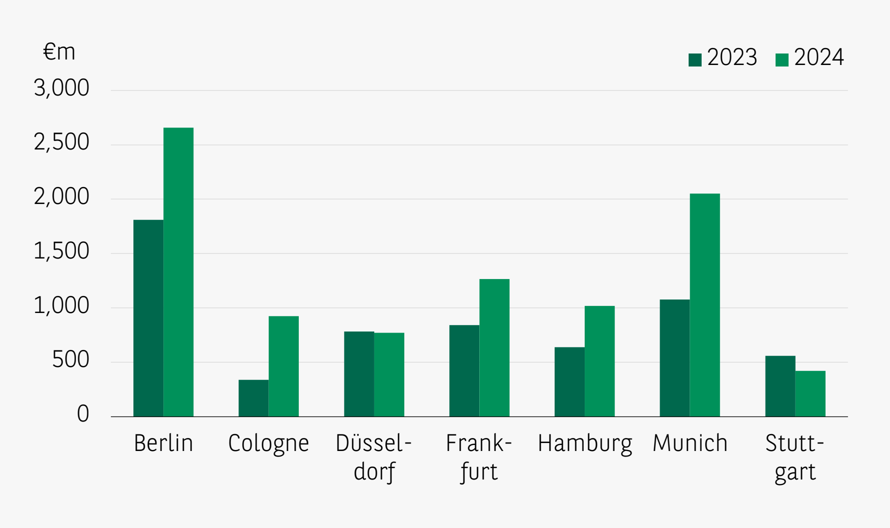


* Ø A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)

INVESTMENT MARKET RECOVERY CONTINUES

- The recovery on the investment markets that has been evident since the beginning of the year is continuing. With a volume of a good €17.9 billion, the previous year's figure was exceeded by around 15%. The number of registered sales is also around a fifth higher at just under 800. This overall positive development is particularly remarkable considering that the markets continue to feel the headwind from the economy.
- As in the first half of the year, retail properties lead the asset class rankings. At a good €4.9 billion, they account for more than 27% of commercial investments. This represents an increase of almost 30% compared to the previous year's result. Logistics investments follow just behind in second place with a turnover of around €4.4 billion (24.5% share; +20% compared to Q1-3 2023). Offices, the dominant asset class in recent years, are still only in third place (a good €3.6 billion; share approx. 20%). The office segment in particular is suffering from the economic headwind and the gloomy economic sentiment. Nevertheless, it should be noted that office space take-up on the occupier markets in the first three quarters was slightly higher than in the previous year and that there are signs of a noticeable increase in demand again in the future with higher GDP growth.
- As expected, the stabilisation phase of yields that began in the first quarter of 2024 has continued. At the end of Q3, average prime net yields for offices in A-locations remained unchanged at 4.36%. The prime yield for logistics properties remained at 4.25% and the average for high street retail properties is still 3.76%.

Investments in A-locations Q1-3

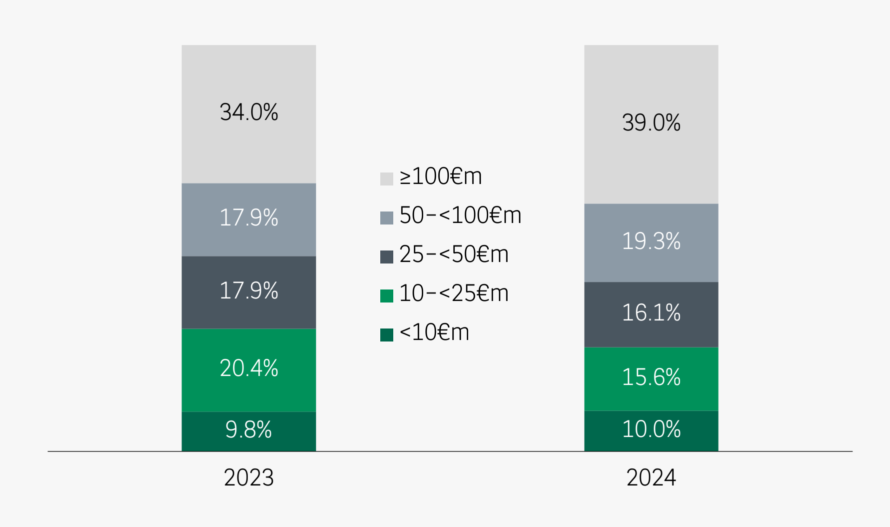


A-LOCATIONS POST SIGNIFICANT GAINS

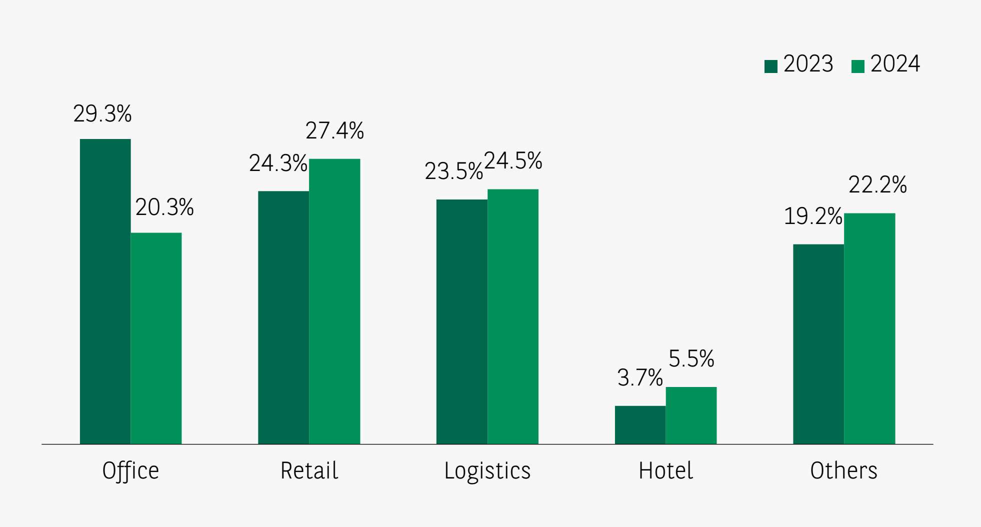
- One indication that confidence on the investment markets is on the rise again is the fact that the A-locations were able to record significant increases in turnover. With an investment volume of a good €9.1 billion, they were able to increase their volume by more than half. After the large locations in particular had long suffered from the difficult financing conditions and price adjustment processes, they have clearly been among the winners so far this year.

- Berlin is in first place with just under €2.66 billion (+47%), ahead of Munich with €2.05 billion. The leading trio is completed by Frankfurt, where a result of just under €1.26 billion was recorded (+50%). More than one billion euros was also recorded in Hamburg (€1.02 billion, +59%). Cologne almost tripled the previous year's figure with €924 million. Düsseldorf reached a similar level to 2023 with €771 million, while Stuttgart recorded a volume of €423 million.

Investments by € category Q1-3



Investments by type of property Q1-3



OUTLOOK

- The development of the German investment markets will be characterised by two different trends, which will have opposing effects on market activity. On the one hand, there is the stuttering economy, which is not expected to stimulate growth this year. From an investor's point of view, there remains a certain degree of uncertainty as to when the economy as a whole will pick up again and boost occupier demand. This could have a slightly dampening effect on the investment volume expected in the next two quarters.
- On the other hand, the major central banks have started to cut key interest rates. Given the significant decline in inflation rates, there is probably room for further rate cuts. This will trigger a number of positive effects from which the markets should benefit: On the one hand, significantly improved financing conditions for investors and, as a result, an end to the price discovery phase, and on the other hand, a likely improvement in consumer sentiment with increased spending due to lower inflation and simultaneous wage increases. The occupier markets should benefit from this and significant catch-up effects should be triggered. This offers very attractive entry opportunities for investors.
- From today's perspective, there is much to suggest that the moderate upward trend will continue. The investment volume for 2024 is likely to be around 15 to 20% higher than in 2023, although there will be differences between the individual asset classes. In terms of prime yields, a slight yield compression at the beginning of next year is the most likely scenario, even if the first steps for individual asset classes cannot be completely ruled out as early as the final quarter of 2024.

Key facts investment market Germany

INVESTMENT VOLUME	Q1-3 2023	Q1-3 2024	CHANGE
Total (€m)	**15,585**	**17,913**	**+14.9%**
Portfolio share	25.2%	22.0%	-3.2%pts
Share above €100 million	34.0%	39.0%	+5.0%pts
Office share	29.3%	20.3%	-9.0%pts
Share of A-cities	38.9%	50.9%	+12.0%pts
Share of foreign investors	32.4%	38.5%	+6.0%pts

NET PRIME YIELDS*	Q3 2023	Q3 2024	CHANGE
Office	3.95%	4.36%	+41bps
Retail	3.45%	3.76%	+31bps
Logistics	4.10%	4.25%	+15bps

* Ø A-locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart)

CONTACT

BNP Paribas Real Estate GmbH

Goetheplatz 4| 60311 Frankfurt

Phone: +49 (0)69-298 99-0

LEARN MORE

Imprint: Publisher and copyright: BNP Paribas Real Estate GmbH
Edited by: BNP Paribas Real Estate Consult GmbH | As of: 30.09.2024
Photo credits: ©TensorSpark – stock.adobe.com