

GERMANY: BNP PARIBAS REAL ESTATE PUBLISHES INVESTMENT AND OFFICE MARKET FIGURES FOR 2016

52.6 BILLION EUROS TURNOVER: INVESTMENT MARKET WITH EXPLOSIVE FINAL SPURT

"The 2016 investment year ended with an explosive final quarter. By themselves, the last three months accounted for turnover of close to 19.6 bn € – the second-best quarterly result ever. This took the transaction volume for the year as a whole to just under 52.6 bn €, corresponding to the third-best performance of all time. The strong interest shown by market players – which has actually tended to increase – is also impressively underlined by the fact many investors were held back by a sometimes inadequate level of supply.", says Piotr Bienkowski, CEO of BNP Paribas Real Estate Germany.

As was expected, office buildings headed the asset-class ranking; they contributed almost 44 % (23.03 bn €) to aggregate turnover. In second place came retail properties, accounting for around one quarter (12.96 bn €) of all investment – the second-best result of the past nine years. The surge in hotel investments has continued, enabling the record set up in 2015 to be passed quite substantially, with a 2016 total of 5.18 bn €. The development in the logistics segment also remained positive, with investment of 4.44 bn €. Care-oriented facilities, particularly nursing homes, generated a turnover share of 5.5 % and have now established themselves as an important asset class.

The 35.1 bn € of investment generated by single properties represented a total of almost 1,700 transactions. Frankfurt was the centre of attention, with the sales of the Commerzbank Tower and the TaunusTurm. But in December, Munich saw the conclusion of the sales contracts for the Highlight Towers, which are in the same category.

German investors continue to account for the lion's share of the transaction volume, with 57 %. But in the course of the year, market participants from abroad steadily increased their contribution to the total, giving them a final 43 %. The increase was due primarily to the considerably higher portfolio slice of investment in the second half, a market segment where foreign players remain dominant; here, they generated a proportion of 65 %, as against just under one third of the single-deal investment total. Investors from other parts of Europe were by far the most active, accounting for 23 % of the overall volume. Then came North American participants with 14 %. But the categories of buyers from Asia and the Middle East also each invested well over 1 bn € in German commercial properties.

"Investment in the major German cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) totalled 27.48 bn €. Although that was equivalent to a modest decline of 7 %, it was still



the third-best result ever registered. The somewhat lower turnover was due entirely to the inadequate scale of supply, especially in the large-unit core segment", emphasizes Sven Stricker, Head of Investment at BNP Paribas Real Estate Germany. Frankfurt moved back into first place in the inter-city ranking, with 6.69 bn € (+11 %). Just narrowly behind in second place came Munich, with 6.37 bn € (+6 %), corresponding to this city's second-largest turnover of all time. A substantial increase in investment was also registered by the Hamburg market which posted a transaction volume of 4.74 bn € (+19 %) to gain fourth place nationwide.

"After already falling appreciably in the course of the year, prime yields continued to ease somewhat in some cases in the final quarter. This impressively highlights the buoyant scale of investor interest and the ongoing increase in competition for attractive assets", adds Sven Stricker. The dynamic development has been sustained particularly in Berlin, with the result that – together with Munich – the German capital now has the lowest prime office yield nationwide, at 3.30 %.

BEST TAKE-UP EVER IN GERMAN OFFICE MARKETS: TOTAL OF OVER 3.7 MILLION SQUARE METRES

"The strong demand already evident in the course of the year was maintained in the final quarter and produced the expected new record result. In fact, take-up in just the last three months came by itself to over 1 million m². The total for 2016 as a whole was around 3.72 million m². This was an all-time high which improved on the previous top mark set in 2000", says Marcus Zorn, Deputy CEO of BNP Paribas Real Estate Germany.

With few exceptions, all the major locations contributed to the renewed increase in take-up. In first place once again came Berlin, with 838,000 m² (+3 %). In second place came Munich, 778,000 m² (+5 %). Frankfurt moved back up into third place by generating turnover of 551,000 m² (+26 %), its best result of the past four years, thus impressively confirming the upward trend already in evidence the year before.

REDUCTION IN VACANCY HAS BEEN MAINTAINED

2016 brought a continuation of the steady fall in the volume of vacant space which has now been apparent for six years. The aggregate figure for the major locations is now around 5.67 million m². That is some 8.5 % less than the prior-year total and the lowest level of the past 15 years. That figure also underlines the extremely stable development of the Germany office markets, which – despite the excellent scale of demand – are far removed from any tendency to become overheated.

The situation in Berlin is actually looking somewhat problematic: there, the volume of empty space has shrunk year-on-year by almost one third to 542,000 m², corresponding to a vacancy rate of just 2.8 %. Cologne also posted a marked decline, of 21 % to 404,000 m², and the vacancy rate there is getting closer to the 5 % level. In Munich (-8 %; 855,000 m²), the rate in the municipal area is now only 2.8 %, just as in Berlin. In the course of this present year, vacancy in the Frankfurt market is likely to drop to a single-digit level; at present, after contracting by 7.5 %, it stands at 10%.

RENTS MOVE HIGHER IN ALL MAJOR CITIES

Apart from the smaller locations of Essen (14 €/m²) and Leipzig (13 €/m²), where rents remained static, all the cities under review registered year-on-year rises in prime rents. In this respect, too, the outperformer was Berlin, where the top rent has climbed by all of 14 % in the past twelve months to 28.50 €/m².

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BNP Paribas Real Estate support owners, leaseholder, investors and communities in their projects thanks to its local expertise through 37 countries (16 direct facilities and 21 Alliance network) in Europe, Middle-East and Asia.

BNP Paribas Real Estate generates € 765m of fees in 2015 with, for property development, 146 000 sqm of completions and more than 2 000 homes launched; € 22bn assets under management in Investment Management; 36m sqm managed in Property Management; 5.2m sqm taken up and € 17.1bn invested in Transaction; beyond 1 000 mission realised in Consulting and € 292bn assets given Valuations.

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