

The share of retail warehouses remained stable at 29%, mostly part of portfolio deals. Augsburg-based **Patrizia Immobilien** bought three portfolios for €286m from **Fortress** subsidiary **Eurocastle**, and US hedge fund **Marathon** bought 61 discounters and supermarkets from Brookfield.

The most active buyer group in the first half were listed property companies, responsible for almost half. International investors took 72% of deals, significantly above 1H14's 47%. Investors from Canada and France led the field. According to **Jan Linsin**, CBRE's head of research, "We are watching an increasing trend towards corporate takeovers and participations in order to get at sought-after retail property, and to fulfil envisioned property quotas."

Given the high level of demand, it's not surprising that net initial yields remain under pressure. The CBRE figures show that prime mall yields in the top markets fell by 20bps to 4.3%. Average net initial yield for high street assets in the Top Five cities is 26bps below 1H14 at 3.86%. Malls in secondary locations are posting a 5% yield, while modern retail centres yield 5.4% across the country as a whole.

#### Germany/Residential

### German residential market hits record €17bn in first half

It's not just Germany's retail real estate sector that is hitting record levels in the first half of the year. Research figures in from advisory group **NAI apollo** show that investment in Germany's residential portfolio market posted record half-yearly figures of €17.2bn in the first six months of 2015, more than double the volume for the same period in 2014 – and higher even than any full-year result since 2006.

According to **Dr. Konrad Kanzler**, head of market research at **NAI apollo**, "Due to company takeovers and large individual deals, the number of residential

units traded doubled from 124,500 in the first half of 2014 to 269,400. The number of transactions rose by 23% from 150 last year to 185. The average unit price increased by 12.3% from €56,700 to €63,660."

**Deutsche Annington's** €8bn takeover of its rival **Gagfah** in Germany's largest ever real estate acquisition accounted for a large chunk of the 143.3% year-on-year increase. **Deutsche Annington** was also involved in the second-largest deal over the period, acquiring the €1.9bn **Südewo** portfolio from a consortium led by **Patrizia Immobilien**.

The third-largest deal was **Adler Real Estate's** takeover of **Westgrund** in a deal worth €800m. **Patrizia** was again involved in the fourth largest deal, to buy a portfolio from a Scandinavian property fund for just under €800m. These four deals together accounted for 67.1% or €11.5bn of the overall volume.

**Stefan Mergen**, managing partner for valuation and research, said **NAI apollo** expected market activity to remain high in the second half of the year as buyers compete for a limited supply of stock. Prevailing high prices could encourage some investors to exit the market, but there will be plenty of demand for their assets.

'At the same time, further company acquisitions are possible,' he said. 'The willingness to invest remains high. The larger listed companies in particular are on the lookout for investment opportunities in order to further expand their market presence.'

**Mergen** said the transaction volume for the year would almost certainly break the €20bn mark and could even pass €25bn if current market conditions are sustained.

Over the first half, Berlin cemented its position as market leader, with 22.2% of all transactions in Germany taking place in the capital, up from 16.7% in H1 2014. Second-tier cities also saw strong activity, including Magdeburg, Delmenhorst,

Wolfsburg, Freiburg and Heidelberg.

'Due to the supply shortage, investment activity remains high in secondary locations of prime cities and goes hand in hand with a growing risk appetite among buyers,' **Mergen** said.

Interestingly, an analysis of all transactions in H1 2015 shows that one residential unit cost almost €63,660 on average and has therefore risen in price by 12.3% since the first half of 2014 (H1 2014: €56,700 /residential unit). Future price increases will continue to be fuelled by the ongoing shortage of supply particularly in the prime locations, say the researchers.

Listed property companies and REITs dominated the market, accounting for nearly three-quarters of activity on the purchase (72.9%) and sales (€74.3%) side. Non-listed property companies were involved in 7.6% of purchases, while asset managers and fund managers accounted for 11.4% of sales.

German buyers, led by **Deutsche Annington**, increased their share of the market to 89%, or €15.3 bn. "All large deals, which had a significant impact on the first half of the year, were carried out by German investors," said **Kanzler**. 'It is therefore hardly surprising that German buyers increased their share of the overall transaction volume by 8.8 percentage points year-on-year.' International buyers were responsible for an 11% share or €1.9 billion.

#### Germany/Asset Management

### German asset managers more optimistic in 2014 ranking

Every year the Cologne-based **Bell Management Consultants** produce their annual ranking of Germany's top real estate asset management companies. This year has seen a number of changes at or near the top as big portfolio investors with their own in-house asset management capacities feature more prominently.

Heading the 2014 list is **ECE Projektmanagement**, followed by long-time leader **Corpus Sireo**, then **Bilfinger**, **Patrizia Immobilien**, **IC Asset Management**, and **Acrest Property Group**. (See table below for *Top 20 Asset Managers*).

The Bell ranking is not the only study on the market place, as Bad Homburg-based **FERI** also produce a report every two years, although that study is more focused on companies that operate and manage their own funds, which excludes many of the 'pure servicers' that feature prominently in the Bell ranking.

The big difficulty in producing a meaningful ranking, of course, is that very few asset managers are directly comparable with each other. They would argue that they provide different services, have different specialities, and are unique in their

client offering. As the table shows, many provide asset management services mainly for their own company owned assets, whereas others are more focused on acquiring mandates from third parties.

Despite the difficulties of comparing like with like, the Bell ranking has come to be seen as definitive in Germany, and is now in its sixth edition. For the latest survey a record 38 companies responded to the comprehensive questionnaire detailing the extent of their services, fee structures and client preferences.

According to **Peter Brieger**, senior analyst at Bell Management Consultants, the 2015 survey highlights increased optimism among respondents about the state of their industry. 86% of those surveyed see growth in the market for their management services, up from 77% last

year. The big growth is expected to come from foreign investors and German institutional investors – 86% of managers are already dealing with foreign clients and 75% with German institutions. Not surprisingly, public-sector institutions, along with banks, have seen their share of the market slide steadily over the years, and this year is no exception.

55% of respondents conceded that their hopes of profiting from the non-performing portfolio sector had proved optimistic. By contrast, 63% of respondents expect that corporate real estate holders are increasingly likely to outsource certain asset management functions to specialists – well up on last year's 38%. Only 20% believe that their business with corporates is likely to decrease in the future, down from last year's 34%.

## The largest Asset Management Provider by assets under management

position	AM-Provider	aum 2014 total in mill. €	aum 2014 non-captive in mill. €
1	ECE Projektmanagement G.m.b.H. & Co. KG	18.300	12.810
2	CORPUS SIREO Investment & Asset Management GmbH	16.000	15.520
3	Bilfinger Real Estate Asset Management GmbH	14.134	14.134
4	PATRIZIA Immobilien AG	10.700	214
5	IC Asset Management GmbH	8.800	k.A.
6	Acrest Property Group GmbH	5.442	5.442
7	HIH Real Estate GmbH	4.400	4.400
8	POLARES Real Estate Asset Management GmbH	3.800	3.800
9	CR Investment Management GmbH	3.510	3.510
10	HAHN Fonds und Asset Management GmbH	2.400	240
11	Jones Lang LaSalle GmbH	2.100	2.100
12	F&C REIT Asset Management GmbH & Co. KG	1.750	963
13	Estama Gesellschaft für Real Estate mbH	1.720	1.393
14	Art-Invest Real Estate Management GmbH & Co. KG	1.640	262
15	BLUE Asset Management GmbH	1.425	1.425
16	BECKEN Holding GmbH	1.350	945
17	VÖLKEL COMPANY Asset Management GmbH & Co. KG	1.340	1.340
18	HGA Real Estate GmbH	1.200	1.110
19	Garbe Logistic AG	1.100	495
20	Cordea Savills GmbH	1.061	605