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## **RESIDENTIAL INVESTMENT MARKET GERMANY 2015**

### **Despite significantly lower number of major transactions investment levels are up 68% y-o-y**

- Transaction volume rises by two thirds y-o-y to almost € 22.5 bn
- Despite stronger activity in smaller cities the prices rise by a quarter to circa € 70,000 per unit
- German listed real estate companies dominated the buy-side in 2015 and will retain this role in 2016
- 2016 forecast: minimum turnover of € 10 bn and in case of merger of Vonovia and Deutsche Wohnen AG at least € 20 bn

Although in 2015 the German residential investment market was characterised by significantly smaller lot sizes than in the years before, the transaction volume rose by two thirds year-on-year to just below € 22.5 bn. In total 255 residential packages changed ownership (2014: 254) albeit just 24 of these transactions comprised 1,000 or more units (2014: 40). The number of transacted units added up to circa 319,500 which marks a 33% increase year-on-year. The prices likewise rose sharply and while in 2014 investors paid just below € 56,000 per residential unit, they paid more than € 70,000 in 2015. “Given the continuously favourable forecasts in rental growth, which are additionally fuelled by the foreseeable population growth, residential investors have been willing to pay higher costs in recent years”, outlines Karsten Nemecek, Managing Director Corporate Finance and Valuations at Savills Germany.

The higher prices are all the more remarkable given the transaction activity’s regional structure. Although 29% of the units still were transacted in the top 7 locations – almost two thirds alone in Berlin – their average share over the past five years was 35%. Hence besides the major cities of Berlin and Hamburg, the markets recording the highest number of transactions of residential units included smaller cities such as Dresden, Leipzig and Hanover. “The fact that investors increasingly buy residential packages outside the major cities illustrates two things: Firstly, the strong excess demand in the top locations and



secondly, the overall confidence of the investors in the German residential market”, says Matthias Pink, Director and Head of Research at Savills Germany.

These investors are almost entirely domestic buyers. Nearly 90% of the total transaction volume of 2015 are attributable to German buyers. On the sell-side foreign players accounting for a 58% share in the transaction volume played a more important role, with North-American investors being particularly active (41%). In terms of types of investors the listed housing companies dominated both the buy-side (€ 15.2 bn) and the sell-side (€ 10.9 bn). Vonovia alone purchased over 150,000 units in 2015 and thus was the largest buyer. With Deutsche Wohnen, LEG Immobilien and Adler Real Estate a further three listed companies follow next in the ranking of the most active buyers.

Looking forward to the year which has just started it can be expected that the listed real estate companies will remain on their growth path and continue to play the leading role on the buy-side. However, it will become increasingly difficult to realise further growth, be it by company takeovers or by the purchase of residential portfolios. “As residential properties in Germany continue to be highly popular the year 2016 will perform above average in terms of transaction volume as well”, Nemecek is convinced. In particular this means: The € 10 bn mark will also be exceeded this year. Should Vonovia in addition conclude the envisaged takeover of Deutsche Wohnen AG throughout the year the transaction volume will even surpass the € 20 bn mark again.

#### Residential investment market Germany in 2015\*

	2015	2014	Change y-o-y
<b>Number of transacted portfolios</b>	255	254	+/- 0%
<b><i>thereof ≥ 1,000 units</i></b>	24	40	
<b>Number of transacted units</b>	319,500	239,600	+ 33%
<b>Units per portfolio</b>	1,250	940	+ 33%
<b>Transaction volume</b>	€ 22.47 bn	€ 13.40 bn	+ 68%
<b>Transaction volume per unit</b>	€ 70,300	€ 55,900	+ 26%

Source: Savills / \* Residential portfolio transactions ≥ 50 units reflected



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