



BNP Paribas Real Estate - residential investment data 2012 (residential)

Spectacular surge in residential investment: Transaction volume rises by 91 % to 11.4 billion euros

Frankfurt am Main, January 21, 2012 – With a transaction volume of just over 11.4 bn €, the investment market for sizeable stocks of residential units exhibited a spectacular surge in 2012. The total was almost twice the already good prior-year result (+91 %) and also exceeded the average turnover of the past five years by more than 81 %. Only in the boom years 2005 – 2007 were even higher figures registered. This is revealed by a survey published by BNP Paribas Real Estate (BNPPRE).

"Following a somewhat weaker third quarter, investment in German residential stocks in the final three months of the year added another 2.74 bn € to the total", says Andreas Völker, Managing Director of BNP Paribas Real Estate Consult GmbH. "One reason for the exceptional performance in 2012 was an entire series of large deals, such as the sale of over 21,000 LBBW units for more than 1.4 bn €, the disposal of approximately 25,000 homes owned by DKB Immobilien AG for around 960 m €, the purchase by Deutsche Wohnen AG of around 23,500 BauBeCon residential units for over 1.3 bn € and the sale of TLG Wohnen for around 470 m € to TAG Immobilien AG", Andreas Völker adds. Altogether, this survey covers 231 transactions involving just under 203,000 homes. The average volume per sale was more than 49 m €.

Taking 2012 as a whole, existing portfolios spread across several locations accounted for over 77 % of all investment and thus headed the class ranking quite clearly. This high proportion was the result of a considerable number of large deals concluded during the course of the year. Block sales of older units generated over 12 % of the transaction volume. Third place in the ranking was taken by project developments, which made up just under 8 % of the total, with turnover of almost 900 m €. Modern properties (<10 years) and miscellaneous assets played only a subordinate role.

The extraordinary result was fuelled primarily by large deals in the category upwards of 100 m €; these accounted for around two-thirds of the transaction volume. In second place came deals of



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between 50 and 100 m € (12 %), followed in third place by sales in the range 25 to 50 m € (over 11 %). But small deals of up to 10 m € also achieved a share of almost 5 % of all investment and were responsible for about 46 % of all the individual transactions, thus highlighting just how buoyant markets were in 2012.

The strong position of listed real estate companies already apparent during the first three quarters firmed up even more towards the end of the year. This investor grouping accounted for more than 37 % of the transaction volume. A solid contribution to the total was also made by equity/real estate funds, with just under 18 %, generated mainly by activity in the market segment of large traditional portfolios. Other groups with double-digit percentage shares were special-purpose funds (slightly over 11 %) and pension funds (more than 10 %). None of the other types of investors accounted for over 6 % of the total.

German investors out in front – Slight increase in purchase price levels

With a share of just under 73 %, German investors produced by far the largest proportion of all turnover and thus headed the ranking by a substantial margin. But buyers from abroad also exhibited great interest in stocks of German residential units, investing a total of well over 3 bn € to account for more than 27 % of the total. US investors were especially active and generated a share of nearly 12 %. Then came buyers from Sweden (4 %), and from Austria, Switzerland and the UK, each with just over 3 % of aggregate investment.

In the past 12 to 18 months, the buoyant scale of demand has led to an increase in purchase prices. At the moment, though, prices predominantly appear to be entering a phase of stabilisation, even though further slight rises in individual areas remain a possibility. Price levels for traditional portfolios are generally between 700 and 850 €/m². Block sales brought in 1,100 to 1,200 €/m² on average, with more modern properties (<10 years) commanding considerably higher prices (1,900 to 2,100 €/m²). In view of the tough competition among investors, project developments continue to obtain by far the highest prices, generally between 3,300 and 3,500 €/m², with the cost of exceptional products going significantly higher.

Outlook: buoyant demand set to continue

"The strong demand for residential assets can be expected to be maintained in 2013. Although at the moment it looks as if there will not be quite as many major portfolio sales as in 2012, the dynamic activity exhibited in the small and medium-sized segments of the market looks set to continue unabated", forecasts Andreas Völker. "In particular there is likely to be an increase in the



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interest shown by buyers from outside Germany, with the possibility of growing numbers of investors from Asia and the Middle East as well. Moreover, institutional investors are still focusing strongly on the purchase of newly built units. In view of the uncertain prospects for other assets, secure German residential properties are attracting increasing attention. Against this background, 2013 is also likely to produce a transaction volume well above the long-term average."
