

Berlin remains **Real Estate Investment hotspot in Germany**



Berlin is and remains the outstanding investment hotspot among Germany's real estate strongholds. JLL Berlin Branch Manager Rüdiger Thräne advises "Covid-19 was also unable to shake this remarkable position, the capital did not get through the crisis without investment losses. In the second quarter in particular, we had to cope with a significant slump in transactions."

The result after six months at €5.1 billion does not match the record of the same period last year, this being €6.7 billion, though it's just under the third highest result of all time. The long-term comparison is correspondingly positive: the 10-year average was exceeded by a massive 46% and the 5-year average still minimal at 2%. Berlin is in first place amongst the ranking of the Big 7 cities by a considerable margin with a transaction volume that is 28% higher than the second placed Frankfurt.

In 2020, there were previously 15 major transactions worth over EUR 100 million, 13 of which were registered between January and March. This is less than in the same period last year (H1 2019: 21), however more than in any other Big 7. The share of large transactions in the transaction volume decreased to 45%, compared to over 60% in the same period last year. As a result, the average size of transactions also fell significantly for both large transactions and overall.

European Investment:

Which European cities will be more resilient to Covid-19?



SOME EUROPEAN CITIES ARE ALREADY EMERGING AS MORE RESILIENT THAN OTHERS

The exact consequence of Covid-19 remains uncertain, however some European cities are already emerging as more resilient than others. Using nine different metrics from liquidity to the handling of the current crisis, **London, Paris, Berlin, Stockholm and Frankfurt make up the top five most resilient cities** according to Savills' research.

Although investment activity during the first quarter of the year has been exceptionally strong, preliminary figures for Q2 suggest an investment volume downturn of approximately 40% in comparison to the same months last year.

It is anticipated that activity will proceed together with the lift of lockdown measures, the resurgence of economic activity and the reopening of flights. It is expected the overall European year-end volume will range between €107bn (-34% YoY) and €125bn (-54% YoY) depending on the length of the health uncertainty and on the depth of the economic impact.

INDICATORS

METRICS	CATEGORY	DATE	ASSUMPTION	DATE
Stringency Index	Resilience to economic fallout	May 2020	Low score the higher	40%
Share of tourism and retail GVA in total GDP	Resilience to economic fallout	2015-19	Low score the higher	20%
GDP growth forecast	Resilience to economic fallout	2020-24	Top score the higher	40%
Five-Year Investment volume	Property investment liquidity	2015-19	Top score the higher	50%
Five-Year average share of office investment	Property investment liquidity	2015-19	Top score the higher	30%
Share of multifamily investment	Property investment liquidity	2015-19	Top score the higher	20%
Five-Year average share of cross border investment	Covid property shield	2015-19	Low score the higher	40%
Average number of quarters to post-GFC recovery	Covid property shield	Post-GFC	Low score the higher	30%
Drop in investment volume post-GFC	Covid property shield	Post-GFC	Low score the higher	30%

Source: Savills Research



Resilience to the economic fallout

It is anticipated that Frankfurt, Berlin, Brussels, Stockholm and Gothenburg should play a better economic game than other European cities due to the stringency index from the University of Oxford, the share of retail and tourism in the local economy and the average GDP growth over the next three years.



Property investment liquidity

It is expected that the multifamily sector, which now accounts for 18% of the total investment volume, will continue to attract an increasing amount of capital based on the outcomes of the first five months of the year. Multifamily is an income producing asset offering diversification due to its fundamentals being driven by structural factors (urbanisation, demographics) instead of cyclical factors (economy). Furthermore, demand and supply imbalance of all major European cities is forecasted to continue due to urbanisation and a shift towards renting. Cities, where multifamily is a matured and liquid asset type, will benefit from a competitive advantage.

Based on these elements, London, Paris, Berlin, Frankfurt and Madrid emerge as the most liquid markets.

COVID-19 property shield

Unsurprisingly, cross border investment activity decreased significantly over the course of the second quarter and is expected to remain low key until the reopening of the borders and flights. Some foreign capital will continue to hit the European property investment ground through international funds with a good network of European offices or fund managers. Yet it's expected that cities where the investment market has been traditionally led by domestic investors will be less exposed, including the Nordics cities, Paris, Hamburg and Berlin.

Some markets including Amsterdam, the Nordics and some German cities simply play a better game than the overall average, whilst others, notably the southern European cities recorded deeper fall of activity and for a longer period.

Ranking score over 100

Overall,
we expect
Gothenburg,
Stockholm,
Oslo, Paris &
Berlin will be
better prepared
for a quick
post-Covid-19
recovery



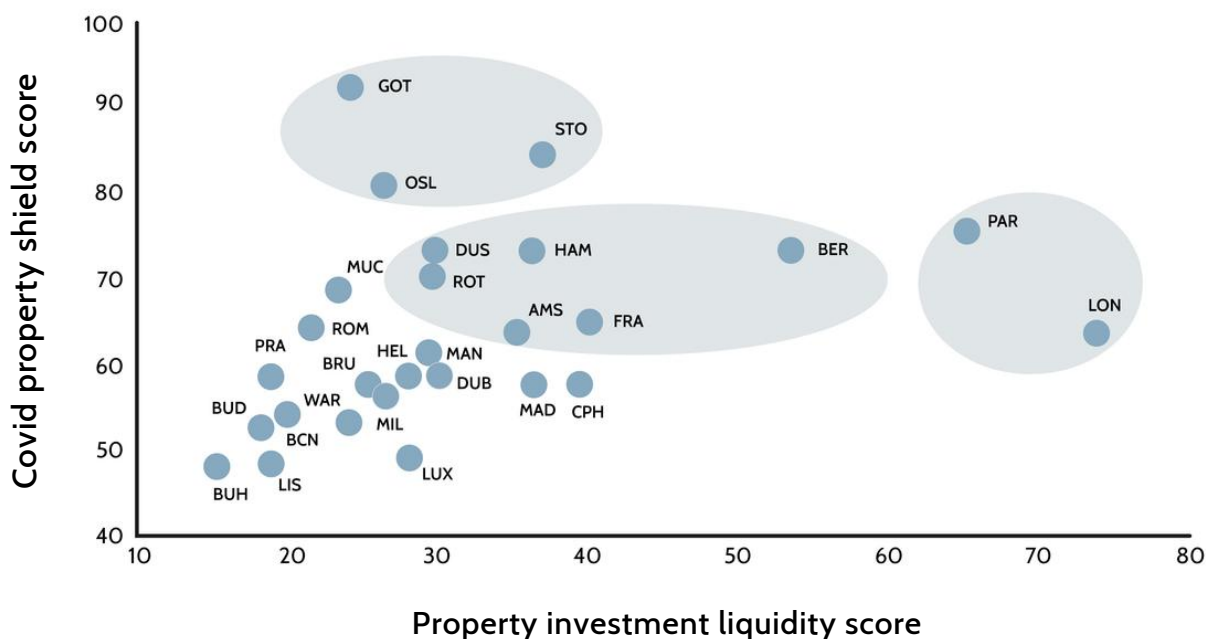
FINAL RESULTS

In conclusion, no European investment market will be exempt to COVID-19, though the extent of the impact and the speed of recovery will be different across European cities.

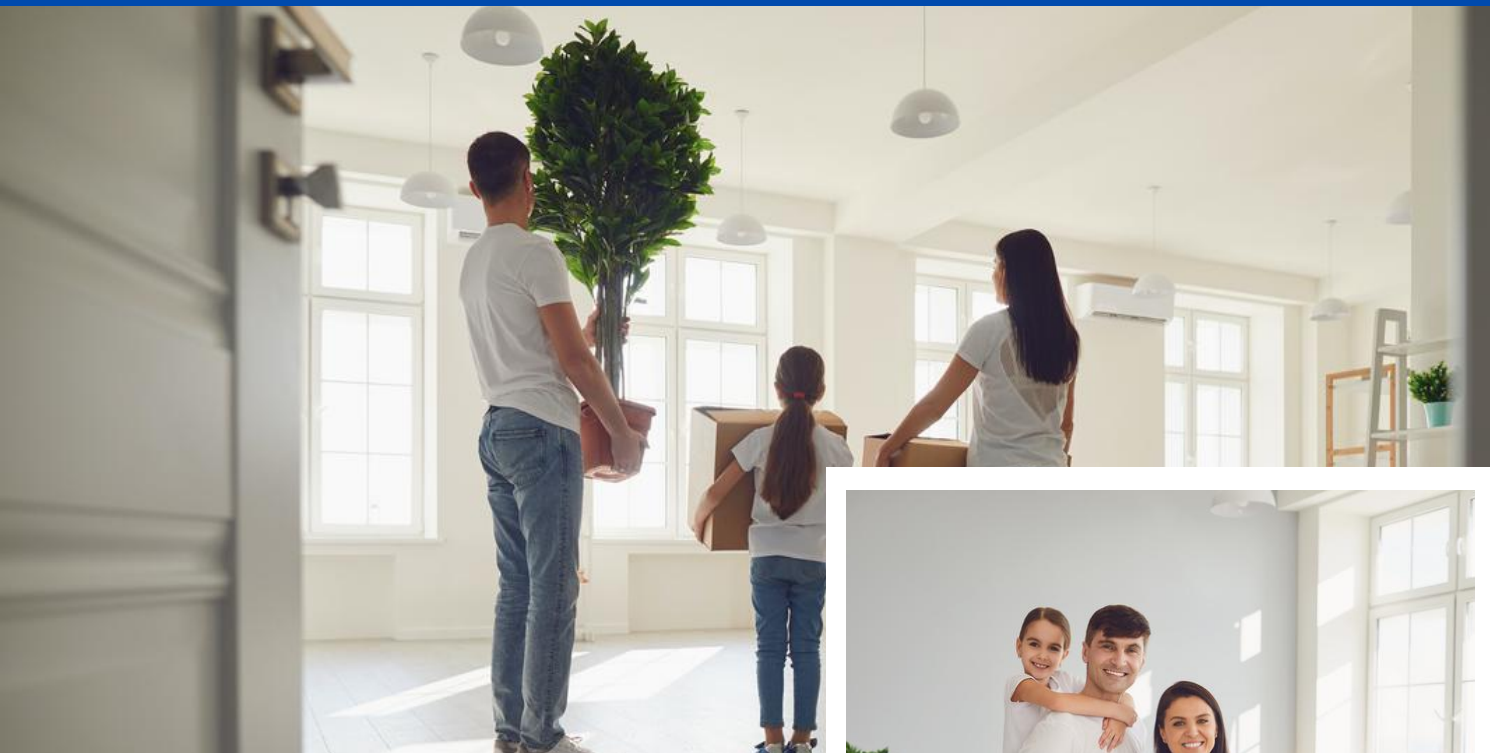
Depending on the harshness of lockdown measures, economic dependence on tourism and retail sectors, GDP growth, market liquidity, investment characteristics and finally detachment upon the resilience to the past GFC, this study determined the impact of Covid-19 on the investment market across European cities. The results suggest that London, Paris, Berlin, Stockholm and Frankfurt will be more resilient.

European investment market's resilience to Covid-19

Bubble size = Resilience to the economic fallout score



Source: Savills Research



MULTIFAMILY investments make up 70% of transactions in Germany

Savills expects continued high investment activity in the European condominium market - this emerges from the latest study by the real estate service provider, in which twelve markets were examined. In many European countries, the rental apartment markets are expanding with the growth drivers unlikely to be affected by the COVID-19 pandemic. The outcome: Demand among investors will tend to rise and ensure largely stable returns.

Germany, by far the largest market, is likely to remain a strong focus.



A large part is implemented in Germany

Germany continues to lead the way in rankings of the largest investment markets. Around €8.2 billion were spent on apartment buildings in Q1 2020 in Germany, which corresponds to 70% of the Europe-wide transaction volume. UK and Sweden came in second and third with only 8% and 6% of the market share respectively.

SKJERVEN TEAM

Meet our new Team Members



Emilia Brandt

Emilia has had the opportunity to work within a property management company during her business studies. Throughout the last 15 years Emilia has worked for well-known real estate companies in Berlin and consequently it's given her the opportunity to deepen her knowledge of the Berlin property market specifically in the areas of contract drafting, sales, and residential & commercial letting.

"I am eagerly looking forward to an exciting journey at Skjerven Group, where I will support the Asset Management team!"



Stefan Fröbel

Stefan brings forth 17 years' real estate experience with a focus on Asset & Property Management, specifically for condominiums and residential long hold properties across Germany. Stefan holds an IHK Bachelor of Professional Real Estate Management. He was formally Head of Commercial & Technical Asset Management at 'ACCENTRO Real Estate AG' and prior to this, was a Senior Asset Manager at 'S IMMO AG' and Head of Property Management at Tower Group A/S.

We wish them success and a great journey ahead at Skjerven Group!

LIFESTYLE



Travel to Heidelberg

Heidelberg is a large city in Baden-Württemberg in southwest Germany, located on the Neckar, where it leaves the Odenwald and enters the Upper Rhine Plain. Heidelberg is surely worth a visit of several days or, better yet, a week and because English is commonly spoken in the town, it's a great place for first-time visitors to Germany.

Heidelberg's attractions include a romantic castle, Germany's oldest university, a hillside "Philosopher's Walk," boat trips on the Neckar River, and countless taverns, cafés, and restaurants where you can sample local wines and the comfort-food gastronomy of Germany's Palatinate (now integrated into the state of Baden-Württemberg, which lies in Southwestern Germany near Switzerland and France).