

# INITIATIVE UNTERNEHMENS IMMOBILIEN



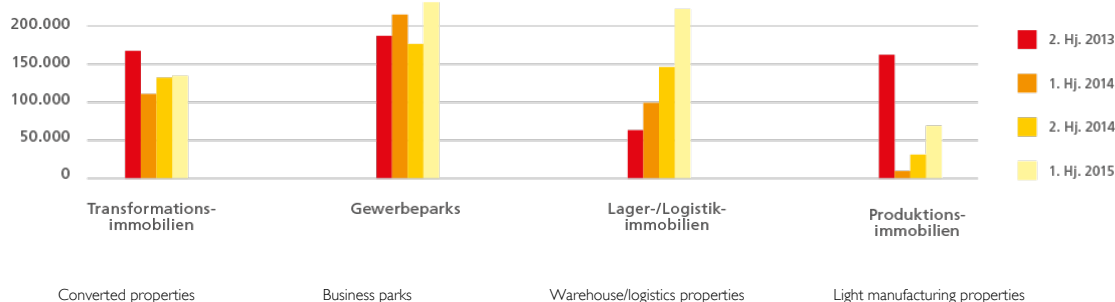
## INITIATIVE UNTERNEHMENSIMMOBILIEN PRESENTS MARKET REPORT FOR THE 1st HALF-YEAR OF 2015

### German Asset Class Unternehmensimmobilien sees more and more lettings

- Total rental volumes in Unternehmensimmobilien rise by 37 %
- Business parks are most successful with an investment of 200bn euros
- Transport, logistics and retail driving the new asset class
- Southwestern Germany and the Rhine-Ruhr region dominating the market

**Berlin, 07 September 2015** – The total rental volumes for Unternehmensimmobilien (converted properties, business parks, warehouse/Logistics, light manufacturing) reflect the momentum of the German economy as a whole. 660,000 sqm were let by member companies of the Initiative, implying an increase by 37 % or 180,000 sqm since the previous half-year.<sup>1</sup> Out of this total, business parks alone accounted for 234,000 sqm.

This is one of the findings of the latest Market Report – its third issue overall – that the Initiative Unternehmensimmobilien published to cover this asset class in Germany. The latest development in take-up thus underscores the strategies that characterise an investment in Unternehmensimmobilien assets: the high share of the rental yield in the total return. It should be added that the average rent levels in the four sub-markets are somewhere between regressive and stable, and therefore anything but overheated.



#### *Floor area/letting take-up of the four sub-markets*

*H1 2013 – H1 2015 in a rolling comparison (in sqm RA-C)*

#### *Growing Significance of Transport, Logistics and Trade*

Although the definition of Unternehmensimmobilien excludes pure large-scale logistics centres because these are considered a separate asset class elsewhere, it becomes obvious that Unternehmensimmobilien, too, benefit from the currently brisk momentum of the German logistics market. Here are two figures that suggest as much: For

<sup>1</sup> The statistic effects of the growing number of members in the Initiative were factored out of the calculation.

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one thing, the first half of 2015 was the first semester in which more than 200,000 sqm in warehouse and logistics buildings alone were let by Initiative members. On the other hand, the economic sectors of transport/logistics and trade (incl. automotive repairs and service) account for nearly 50 % of all Unternehmensimmobilien tenants.

Berlin (and greater area), where the absorption used to be very dynamic, lost a substantial share of the market to Southwestern Germany during H1 2015, meaning the regions Stuttgart and Rhine-Neckar. Here, more than 250,000 sqm were let. The Rhine-Ruhr region ranked third, but simultaneously took the lead among the regions in terms of transactions. With 134 million euros in investments, which equals a 25 % share of the overall market in H1 2015, the Rhine-Ruhr region clearly took the top spot among the regions, ahead of the Rhine-Neckar region. Worth noting in this context is the steady and even growth since early 2014, as well as the more or less even distribution of the market action in the Rhineland metropolises, on the one hand, and in the Ruhr, on the other hand. "In our view, investments in the Rhine-Ruhr and Rhine-Main-Neckar regions, with their strong economies, are the most promising in the medium to long term. Quite simply, these regions have the largest numbers and diversity of potential occupiers of commercial parks and warehouse / logistics properties, and smaller amounts of land for development", comments Alyssa Huse, representing M7 Real Estate, the new member of the initiative, in Germany. "This stabilises demand and therefore rental values."

## ***Transactions Total only 530 Million Euros in H1 2015***

On the whole, the transaction volumes of Unternehmensimmobilien declined to c. 530 million euros (H1 2014: 664 million euros). "The trend matches observations in other asset classes," said Andreas Schulten, CEO of bulwiengesa AG and editor of the Market Report of the Initiative Unternehmensimmobilien. "Wherever portfolios stop changing hands in the form of big-ticket transactions, the supply in investment-grade assets dries up – or becomes unaffordable." The average yields<sup>2</sup> for business parks, currently the largest sub-market within the asset class, dropped by 63 basis points to just below 10 %. In this segment, nearly 200 million euros in assets were traded during the first six months of the year.

"The figures of the market report are very helpful, strategically speaking," said Stephan Bone-Winkel, CEO of BEOS, "because their high degree of verifiability paints a very differentiated picture." On the four sub-markets (converted properties, light manufacturing, business parks, and warehouse/logistics), the Initiative found that many high-spec buildings and projects already changed hands last year, a fact that is reflected in the easing yield pressure of prime properties in 2015. Light manufacturing was the only sub-segment that manifested an inverse trend during H1. Here, prime assets registered yields (GIY) almost as low as 6 %, which is a level that surprised even the experts in the context of commercial and industrial real estate.

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<sup>2</sup> Gross Initial Yield (GIY)

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The average yield (GIY) for Unternehmensimmobilien during H1 2015 was just below 10 %. This means it slightly bounced back since 2014 (9.6 %).

## ***Bright Outlook***

The forecasts for the total returns within the Unternehmensimmobilien/logistics sector in the narrower sense, as determined by bulwiengesa in its latest German Property Index, is therefore sustainably higher than the average total returns of other commercial asset classes. Despite the anticipated drop in total returns from 9 % today to about 7.5 % by 2019, there is a slightly widening gap to other types of use in favour of Unternehmensimmobilien/logistics properties.

## **About the Initiative Unternehmensimmobilien**

At the moment, the Initiative Unternehmensimmobilien consists of twelve market operators and Germany's leading research institute for commercial real estate of the type Unternehmensimmobilien. The most recent addition to the circle is M7 Real Estate, a pan-European investor and asset manager that has lately expanded its activities in Germany.

With the publication of its Market Report No. 3, the Initiative Unternehmensimmobilien made yet another contribution to the ongoing effort of enhancing transparency in this market segment, and of familiarising a wider audience with this heterogeneous property type. At the same time, it makes the fundamental ratios it identified available to experts and players who are active in this specific market.

Going forward, the development of the Initiative and thus of the asset class as a whole, will continue to move toward an ever closer approximation of the actual needs of Germany's mid-market companies and industry with their corporate real estate stock.

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