WARBURG-HIH INVEST REAL ESTATE

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Rückfragen

HIH Real Estate GmbH
Susanne Edelmann
sedelmann@hih.de
+49 (0)40 3282 3390

RUECKERCONSULT GmbH
Dr. André Schlüter
schlueter@rueckerconsult.de
+49 (0)30 28 44987 67

Pressemitteilung

Warburg-HIH Anticipates Sustained Capital Inflows in German Office Investment Markets

- EUR 40 billion from German ten-year government bonds need to be reinvested in 2018 and 2019
- Office real estate in leading German cities remains sought alternative for institutional investors
- Rent growth boosting returns to attractive levels

Hamburg, 24 May 2018 – The positive economic parameters and high investment pressure ensure that the brisk activity on Germany's real estate investment markets is here to stay. According to JLL, the transactions during the first quarter of 2018 totalled EUR 12 billion, thereby matching the level of the prior-year quarter, while net initial yields continue to harden slowly. Nonetheless, the coming months will be defined by the persistence of pent-up demand, especially in the office real estate segment. "This year and next year, German ten-year government bonds in a volume of approximately EUR 40 billion each plus four-percent interest will mature," said Prof. Dr. Felix Schindler, Head of Research at Warburg-HIH Invest. "The currently low interest rate environment and the regressive refinancing needs of the German government, on the one hand, and the return requirements of numerous institutional investors, on the other hand, prompt owners of such securities to consider office investments as alternative because they promise roughly similar earnings as the maturing bonds."

Rental Markets Gathering Momentum

The persistent yield compression continues to coincide with keen demand for space, short supply in accommodation and rental growth in Germany's main office locations. At the same time, the net increase in floor area in virtually all of the so-called "Big Seven" cities remains sluggish. "In the years since the financial crisis, the number of office jobs in the seven Class A cities has gone up by 20 percent on average. In Berlin, the rate of increase actually exceeded 30 percent," said Schindler. He added that the vacancy rates in Hamburg, Berlin, Cologne, Stuttgart and Munich are below five percent, in some cases actually well below. He went on to point out that there is a manifest trend to find larger-scale accommodation mainly outside a given city's CBD or alternatively in new schemes still under construction. "Pre-let ratios remain high, and many tenant leads decide to secure larger units in property developments because they are often unable to find suitable accommodation in existing buildings at this time. Alternatively, even established service and industrial companies, not just start-ups, are increasingly taking advantage of premises offered by providers of co-working space in order to meet their floor space needs in the short to medium term," said Schindler as he summarised the situation on German occupier markets.

"This year and next year, German ten-year government bonds in a volume of approximately EUR 40 billion each plus four-percent interest will mature. The low interest rate environment in combination with the investors' return requirements prompt owners of such securities to consider office investments as alternative because they promise similar earnings as the maturing bonds."

Prof. Dr. Felix Schindler MRICS, Head of Research at Warburg-HIH Invest

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About Warburg-HIH Invest

Warburg-HIH Invest Real Estate (Warburg-HIH Invest) is a real estate investment manager serving institutional investors and covering the entire spectrum of national and international real estate investments. Warburg-HIH Invest is one of Germany's leading managers of special AIF for real estate, with real estate assets of c. EUR 6.8 billion under management. Warburg-HIH Invest can demonstrate a comprehensive track record in designing and implementing bespoke investment solutions. Warburg-HIH Invest, as a quality provider, supplies products and services with added value. This pursuit matches the quality standards set by both of its shareholders, HIH Real Estate and the private bank M.M.Warburg & CO founded in 1798.

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