



Federal Institute for  
Research on Building,  
Urban Affairs and  
Spatial Development

within the Federal Office for  
Building and Regional Planning



## Latest results of the BBSR Housing Transaction Database

Last year, the trading volume on the market with respect to existing housing portfolios increased slightly. This is due to one extensive corporate takeover in the spring of 2018. By contrast, the number of sales transactions has fallen significantly.

This document presents the latest analysis of the BBSR Housing Transaction Database, including results and analyses on the sales activities of housing portfolios in 2018 with the following focuses:

- **Fall in the number of transactions, but rise in transaction volume**
- **Public listed housing companies determine market activity**
- **Market activity in many different German regions**
- **German participants on the market dominate small transaction activity**

## Continued low transaction activity on the market for rented housing portfolios

**Author**

Jonathan Franke

## Foreword



Dear readers,

The general public continues to follow trading in rented housing portfolios and entire housing companies with interest. The BBSR records the most recent trading activity in its Housing Transaction Database. Every six months, we publish the latest analysis on the development and structure of rented housing portfolio transactions.

The trend of recent years continues: the number of transactions for large portfolios with 800 housing units and above has fallen for the fifth time in a row. By contrast, the number of traded housing units increased slightly, because, for the first time since 2016, one portfolio with more than 10,000 housing units was sold.

This low market activity is due to the limited supply of available housing portfolios. It is presumed that little will have changed in this respect in the current year.

We hope you find this publication interesting.

A handwritten signature in black ink, appearing to read 'M. Eltges', written in a cursive style.

Dr. Markus Eltges  
Director of the Federal Institute for Research on Building,  
Urban Affairs and Spatial Development

### BBSR Housing Transaction Database

The BBSR database has been recording housing portfolio transactions with 800 units and above since 1999. Since the second half of 2006, it has also recorded transactions with smaller housing portfolios of between 100 and 800 units. The database is developed through systematic research of a range of print and Internet sources. The data sources are regarded as reliable.

Despite the good quality of the sources and careful processing, the BBSR assumes no liability, guarantee or warranty for the correct, complete nature of data in the Housing Transaction Database, or its suitability for a specific purpose.

## Fall in number of transactions, but increased transaction volume

Trading activity on the German market for rented housing portfolios has declined further in 2018. While the number of transactions fell by a third compared to the previous year, the number of traded housing units increased slightly. The reason for this is a takeover in the public listed housing company sector.

In 2018, a total of 22 sales transactions took place on the German market for rented housing portfolios (see Fig. 1). The figure represents a decline for the fifth time in a row: the highest level of the second peak period of transaction activity was achieved in 2013, with 51 sales transactions. Since then, a successive decline has been observed. Compared to 2017, the number of sales has fallen by a third (from 33 to 22). The level was equally low in the period between 2008 and 2011, when market activity with major portfolios of 800 units and above almost completely stagnated as a result of the financial crisis. However, the causes of these developments differ: currently, the supply of sales offers is limited, significantly affecting trade dynamism. Between 2008 and 2011, the decline in transactions was caused by cautiousness on the demand side.

In contrast to the declining trend in the total number of transactions, the number of sold housing units has grown for the first time since 2016. The 22 sales transactions in 2018 comprised a total of 72,400 housing units, representing an increase of a quarter compared to 2017 (see Fig. 2). However, the transaction volume nevertheless continues to be significantly lower than during the second peak period between 2012 and 2015, when transaction activity comprised over 300,000 units for several successive years. The driving force behind that peak came from housing companies that were floated on the stock exchange by investors, which subsequently pursued active growth strategies.

However, such expansion strategies could not be sustained as intended in recent years due to the limited supply.

Figure 1

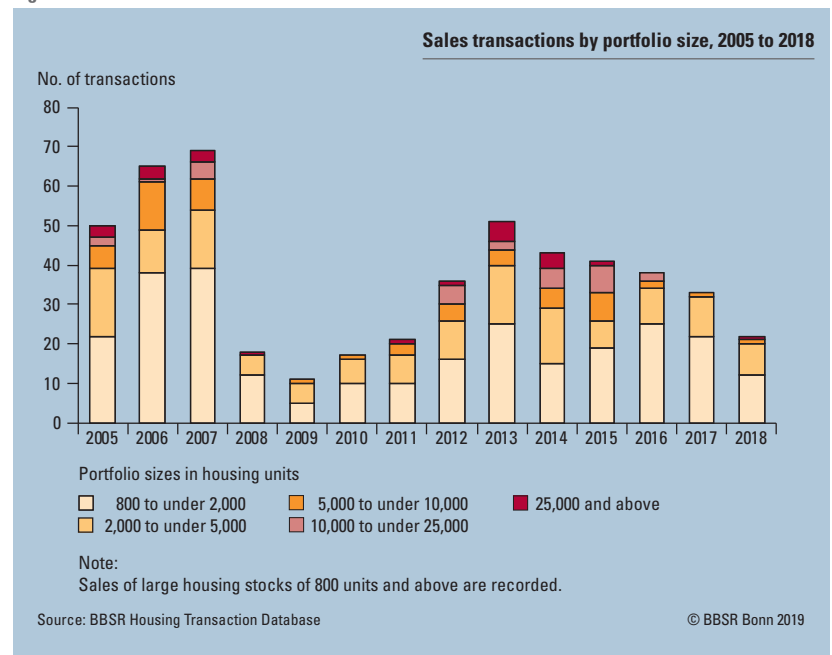
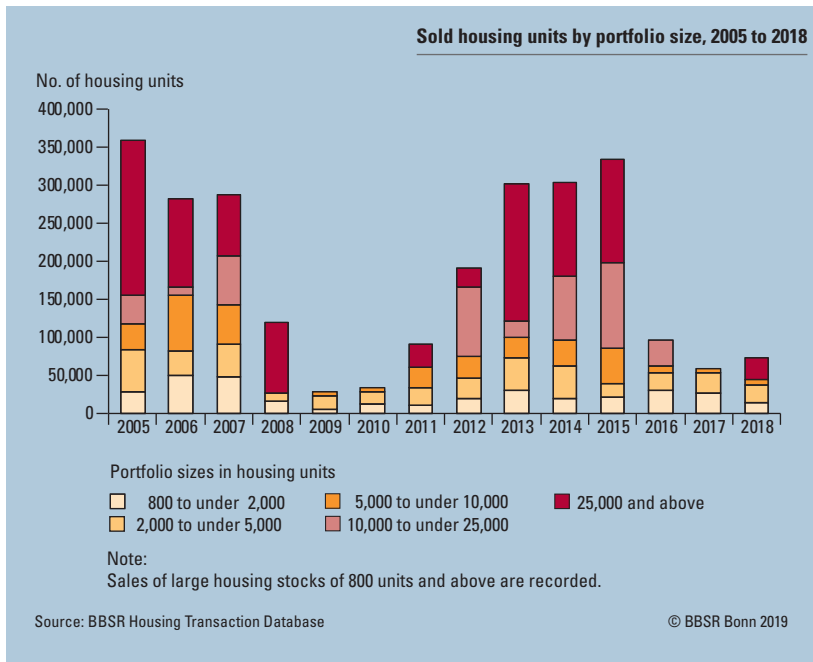


Figure 2



### Average transaction size increased due to one major transaction

The increase in the transaction volume last year was mainly caused by a takeover by Vonovia SE – a corporation that had been floated on the stock exchange during the second peak period. In the first half of the year, Vonovia SE took over 91 % of the Austrian BUWOG AG, before acquiring the remaining shares at the end of the year through a squeeze-out. This major transaction, comprising 27 of the total of 200 units, represents over a third of the entire transaction volume in 2018.

The average transaction size is therefore 3,300 traded housing units, which is around 1,500 housing units

higher than in 2017, when there were no major transactions with more than 10,000 housing units at all. The database shows that the average size of a transaction since 1999 is 5,700 housing units. This high overall average is above all due to the peak periods between 2004 and 2007 and between 2012 and 2015. Above all, smaller rented housing portfolios are currently being traded

### Large number of transactions in smaller portfolio sizes

The number of sales transactions in 2018 continues to be dominated by smaller portfolios: twelve of the 22 transactions consist of portfolios with 800 to 2,000 housing units. While

sales in that size category represent more than half of all transactions, they only account for 19 % of the market volume.

Eight sales were registered in the next higher category of 2,000 to 5,000 housing units. With a total of 23,400 traded housing units, this category generated a third of the trading volume in 2018, making it the second most important group. There was one transaction in the category between 5,000 and 10,000 housing units in 2018, namely the takeover of Brack Capital Properties by the public listed Adler Real Estate AG, its 8,400 housing units representing around 12 % of trading activity. The takeover is also the second highest transaction last year.

In 2018, the above-mentioned takeover of BUWOG AG represented the only major transaction with more than 10,000 housing units, making it the largest transaction since 2016. As a result of the takeover, major transactions represent the largest proportion of market activity in the past year, namely 35 %, which is a similar proportion to 2016.

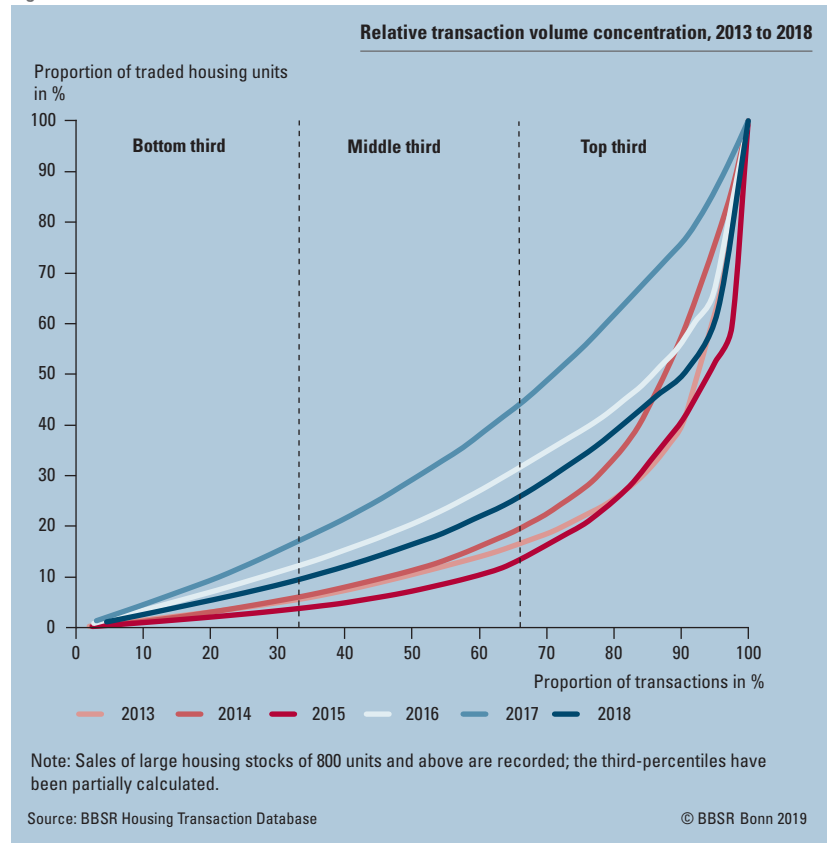
### Higher relative concentration of transaction activity in 2018

Looking at the relative concentration of transaction activity in 2018, the differences compared to the two previous years are apparent (see Fig. 3). While trading activity was relatively evenly distributed in 2016 and particularly in 2017, a greater concentration on fewer transactions can be seen in 2018. In the last twelve months,

they include the two major takeovers by Vonovia SE and Adler Real Estate AG, which together comprise almost half of all traded housing units. At the same time, the third with the smallest transactions only accounts for 10 % of the transaction volume. The according figure in 2017 was 18 %.

During the second peak period of transaction activity between 2012 and 2015, the market dynamism was even more strongly determined by individual major transactions than in 2018: during that period, the bottom third of sales only achieved a market proportion of between 4 and 6 %, while the top third accounted for over three quarters of traded housing units. According to market players, the current more even distribution on the German transaction market is due to a lack of major rented housing portfolios.<sup>1</sup> In recent years, there have only been occasional truly major sales and takeovers; it is presumed that this trend will not change in the short term due to the current market shortfalls.

Figure 3



(1) Cf. Ernest & Young: Trendbarometer Immobilien-Investmentmarkt, January 2019. The survey asked over 200 active investors on the market for their assessment of the German real estate investment market.

## Public listed housing companies dominate market activity

In 2018, the same participants dominated market activity as in the previous years. Public listed companies determine trading activities due to their larger transactions. The public sector is only active as a buyer on the market.

### Private companies dominate current trading activity

Little has changed in 2018 compared to the previous years: private housing market investors dominate the current activity as the most active group of participants (see Fig. 4 and Fig. 5). Where information on the vendors exists, all sold housing units were the result of various private participants (82 %). Unclassified private owners, which above all include the shareholders of BUWOG AG, are the largest group of vendors, with a proportion of 41 %. Aside from them, German corporations and public listed companies without a majority shareholder are the other largest groups of players among vendors on the German transaction market, with a market segment of 13 % and 12 % respectively.

### Public listed corporations and German companies are the most active buyers' groups

In 2018, private investors also dominated trading activities with respect to purchases, with a market share of 97 % for purchases, which is similar to the previous year's level. Between 2010 and 2018, the rate was always at least 95 %. The strong decline in the transaction volume since 2016 has therefore not led to any fundamental change among active owner groups.

The group of public listed companies decisively influenced market dynamics during the second peak period of transaction activity between 2012 and 2015. During that period, many new listed housing corporations were created. Due to their active growth strategies, they are among the most significant owners on the German housing market today. Even after the reduction in trading activity, this group of players continues to be the most significant group of buyers on the housing market. In 2018, the group's proportion of purchased housing units was 59 %. More than 42,000 housing units were purchased in six transactions. In addition to the above-mentioned takeovers by Vonovia SE and Adler Real Estate AG, the listed company LEG Immobilien AG was active in acquiring almost 3,800 housing units in the Ruhr region. Furthermore, eight purchases by private German participants amounted to around 14,600 units, representing the second most significant group of buyers. In several transactions, ZBI Immobilien AG purchased a total of around 11,000 housing units for a mutual fund.

Figure 4

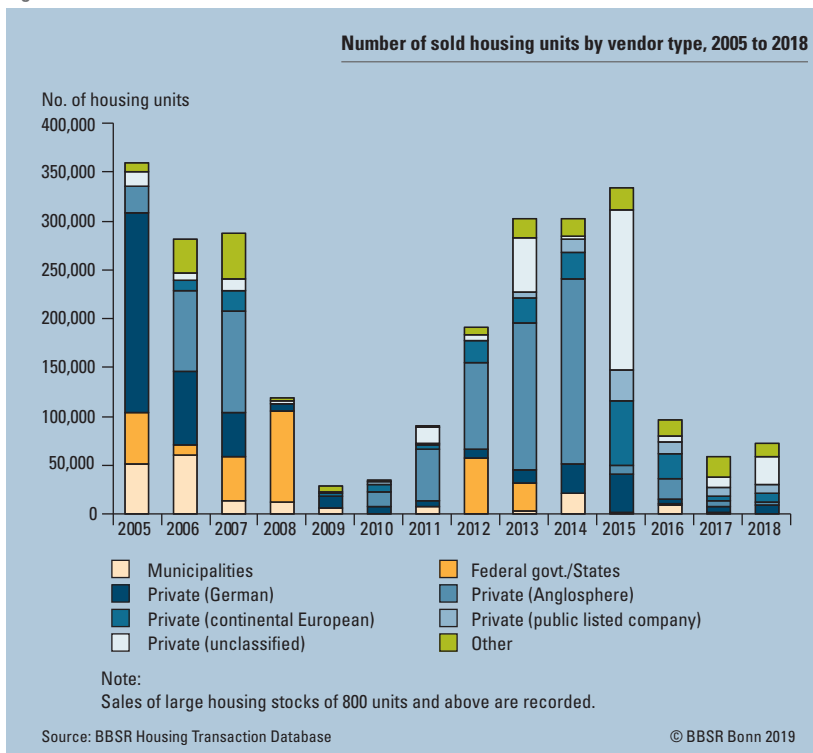
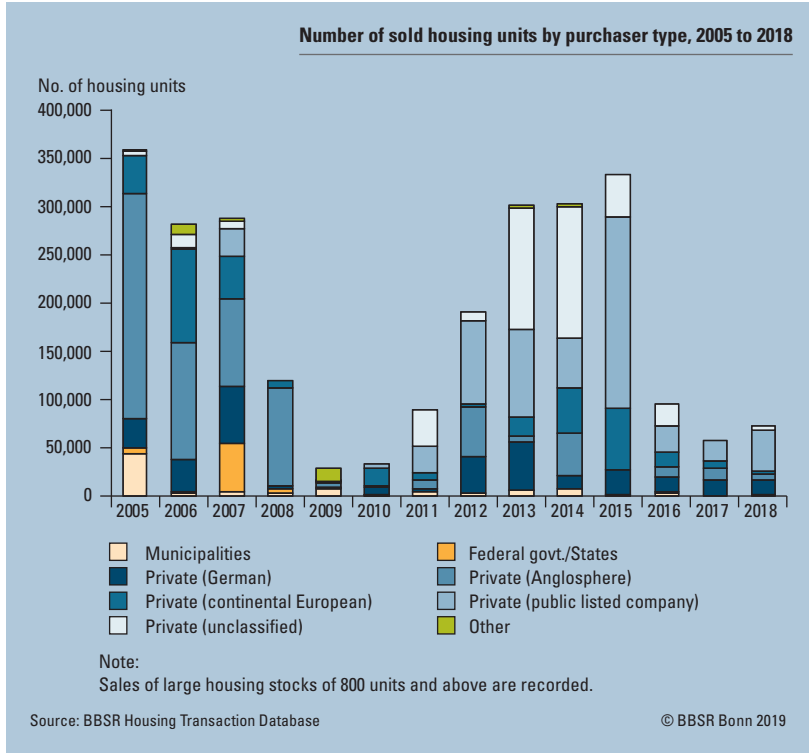


Figure 5



In 2018, municipalities sold no large housing portfolios with 800 units or above. In the previous years, municipal housing was sold continuously, albeit in small volumes. Instead, two growth-orientated municipal housing corporations from Berlin have purchased housing units in 2018, thereby expanding their housing portfolios. The two transactions comprised purchases of a total of 1,900 housing units.

Especially in view of the tense market situation, many municipalities have turned to expanding their portfolios through new construction and the purchase of project developments or existing portfolios. Furthermore, a number of municipalities use their municipal right of first refusal to prevent the sale of housing to private investors, fearing that rent increases and luxury renovation could drive away existing tenants. The City of Munich has exercised its right of first refusal to purchase many housing units formerly owned by GBW, which were sold by the State to Patrizia Immobilien AG in 2013. In late 2018, another case in Berlin attracted public attention: in the district of Friedrichshain-Kreuzberg, the sale of around 700 housing units by a private investment fund to Deutsche Wohnen AG was blocked by the district. The sale is to be prevented by exercising the municipal right of first refusal for the housing, which is located in a neighbourhood protection area ("Milieuschutzgebiet"), and through financial support for local tenants to exercise their personal right of first refusal.

## Public listed companies continue to grow

Consequently, the largest growth in trading was achieved by public listed companies without a majority shareholder, with an increase of 34,000 housing units. In 2018, German companies also achieved positive growth, buying 5,000 more housing units than they sold.

By contrast, foreign participants played a more minor role in direct real estate investment in 2018. Private Anglosphere investors increased their overall stocks by around 3,500 housing units, while continental European investors sold more than they purchased (-5,500 housing

units). One notable participant in this segment, the Danish pension fund PFA, acquired 3,700 housing units on various high-price markets for around EUR 900 million.

## Federal government and states not active on the market, but municipalities purchasing

In recent years, participants from the federal government and states have completely withdrawn from activities on the German real estate portfolio market. Since 2014, they have only been active once as a vendor and once as a purchaser of small portfolios.

## Market activity in many different German regions

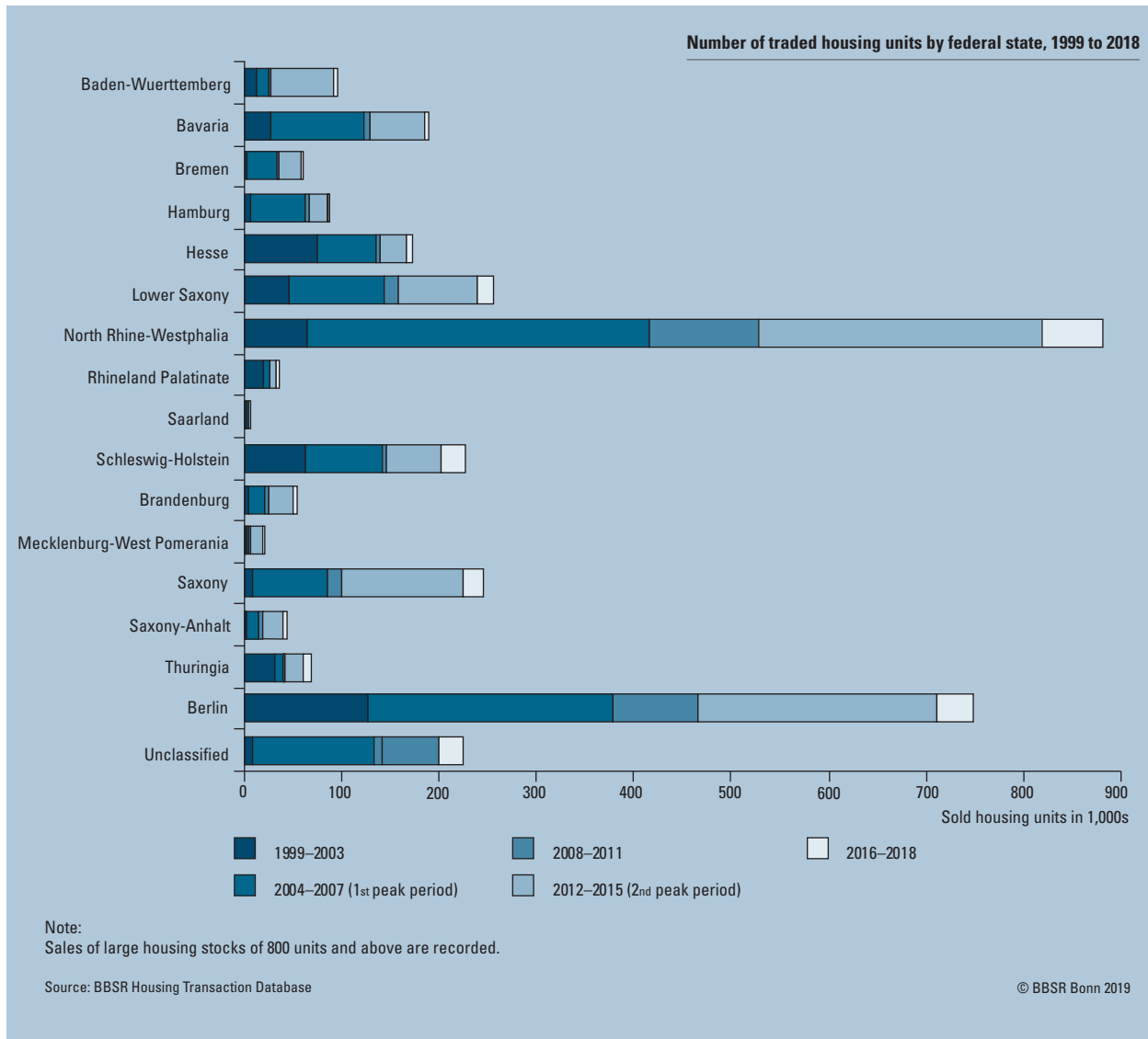
Participants on the transaction market currently invest according to various strategies in many different locations in Germany. Although most vending activity continues to take place in two federal states, other federal states are attracting greater investment interest.

### North Rhine-Westphalia and Berlin are transaction hotspots

Current transaction activity continues to be concentrated to a large extent in North Rhine-Westphalia and Berlin. Together, the two states represent a market share of around a third

and are therefore regional hotspots of trading activity in 2018. Portfolios were sold in nine transactions in North Rhine-Westphalia. In the federal capital, housing was traded in seven transactions. The regional focus is firstly due in part to the high proportion of resales, which have dominated the transaction market for

Figure 6





many years. Often, purchased housing portfolios are sold again after a period of retention or passed on when companies are taken over.

While the importance of North Rhine-Westphalia has remained roughly the same in terms of trading activity over the years, the shortage of available rented housing portfolios in Berlin can be seen in the declining market. In the current period (2016 to 2018), its proportion of overall activity has fallen to 16 %, compared to levels that were consistently over 20 % in the past. Fig. 6 shows which federal states played a particular role during which period. Schleswig-Holstein and Saxony are notable in addition to the two regional focuses in North Rhine-Westphalia and Berlin, with respective shares of 11 % and 9 % of sold housing units during the current period (2016 to 2018), reflecting increa-

sed significance in market activity in recent years. The opposite trend is apparent in Hesse and Bavaria, which played a more significant role in transaction activity during earlier observation periods than today.

### Limited supply leads to diverse investment

The attractive nature of the German housing market as an investment target and the resulting shortage of available portfolios lead companies that are active on the German transaction market to invest in portfolios in a range of locations and pursue different strategies. Thus, on the one hand, there continue to be participants such as the Danish pension fund PFA, which invest on the tense and cost-intensive markets in Munich, Berlin and Düsseldorf. In

2018, another foreign participant, the British investor Round Hill Capital, was active in the so-called A-cities of Frankfurt, Hamburg and Berlin. On the other hand, other cities, such as Zwickau, Heidenheim and Kiel, are also attracting increased attention. In Zwickau alone, around 3,000 housing units were purchased in one portfolio for the fund "Unilmmo: Wohnen ZBI", which has also been buying extensive housing portfolios in cities in the Ruhr region, such as Dortmund, Duisburg and Bochum. Furthermore, the major takeover of BUWOG AG by Vonovia SE caused strong trading activity in a number of cities that were hardly mentioned in previous years. Above all, these include extensive BUWOG portfolios in Lübeck, with over 6,000 housing units, and Kiel, with more than 3,000 units.

## German participants dominate small transaction activity

In 2018, extensive trading was recorded in the segment of small transactions with portfolios of between 100 and 800 housing units. German companies form the most significant group of buyers in the field of small transactions.

### Number of sales in 2018 higher than the long-term average

In 2018, the BBSR Housing Transaction Database recorded 91 small transactions with 100 to 800 traded housing units (see Fig. 7).<sup>2</sup> This level is slightly lower than the previous year, however significantly higher than the long-term average of 76 transactions per year. Fewer small housing portfolios were traded on the market in the years prior to 2017. The large number of small transactions is due to the many transactions with very small housing portfolios of up to 500 housing units. An increase in this segment has been registered for the fifth year in a row, representing a 40 % growth in the number of such transactions since 2014. The highest ever figure recorded by the database for such very small portfolios is 85.

The number of traded housing units continues to be high at 25,200 sold housing units, which is due to the large number of small transactions. Although the trading volume fell by 5 % compared to 2017, the figure remains significantly higher than the earlier years between 2014 and 2016. Trading activity on the market for small transactions operates independently of market activities with large portfolios of 800 units and above. Considerable fluctuations, as experienced in trading with large housing portfolios, have not been recorded among small transactions.

### Small transactions dominate the current market activity

In 2018, a total of 113 transactions with more than 100 housing units were registered, representing a total of 97,600 traded housing units (see Fig. 8). Small transactions account for around 80 % of recorded cases, while sales of 800 housing units and above only represent a fifth of the volume. Looking at the share of small portfolios compared to the overall trading volume naturally produces inverse results; major transactions account for a significantly larger market share: in 2018, small transactions accounted for a 26 % share of overall market sales, representing a slight reduction compared to 2017 (31 %). In 2014 and 2015, when the highest trading volumes were recorded in recent years, trading with small rented housing portfolios represented only 6 % of the sales volume.

(2) It should be noted that the coverage rate of actual transaction activity and the researched transactions deteriorates with falling transaction numbers.

Figure 7

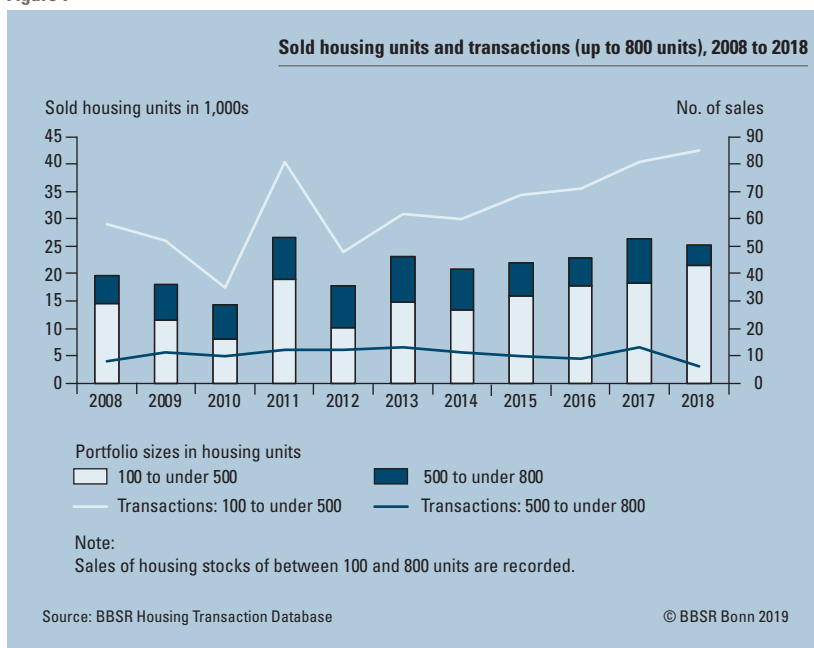
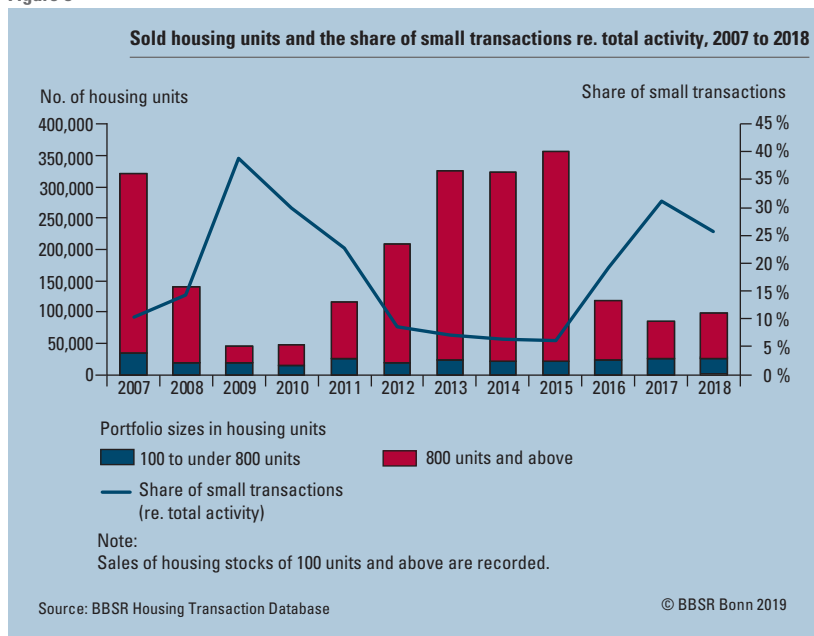


Figure 8



in 2018. These are often companies such as Mähren AG, Wertgrund Immobilien AG and Deutsche Invest Immobilien (d.i.i.), which have already been repeatedly active in this market segment in the recent past.

## Municipalities active on the market both as vendors and buyers

Municipalities participated both as buyers and as vendors in three transactions respectively. They sold a total of 1,100 housing units, while purchasing around 900 units. These were small additional acquisitions by municipal companies on the tense markets of Berlin and Munich, as well as the purchase of a housing estate by the municipal housing company of the town of Naumburg. The sales were related to partial portfolios in the region of the former GDR and a housing company in a Bavarian rural district. The federal government and states were not active in this market segment either as vendors or buyers

## Private companies also ensure lively trading in small transactions

It is apparent that investors are turning to smaller housing portfolios as a result of the lack of larger available portfolios. Many participants that have had a decisive impact on market activity in the major housing portfolio sector in recent years are also active on the market for small portfolios with up to 800 housing units. In doing so, they supplement their housing portfolios with small additional purchases or optimise their portfolios by selling housing that is not part of their core stock. For instance in recent years, Vonovia SE, Deutsche Wohnen AG, TAG Immobilien AG and Vivawest GmbH have been active on the market for smaller portfolios, both as buyers and vendors.

As is the case with portfolio sales with 800 housing units or above, private companies, especially from Germany, dominate developments with respect to smaller transactions. They are the largest vendor group, accounting for 21 % of sales, and as buyers they generate more than half of the transaction volume (56 %).<sup>3</sup> In recent years, German private companies were already the most significant buyer group and the figure has increased further. In 55 transactions, German companies bought just over 14,000 housing units. Both figures represent the highest such values recorded in the BBSR database.

Many German companies use their good business connections and local market expertise to invest repeatedly

(3) The low number of sold housing units is above all due to the fact that there is very little information on vendors in the small transactions segment.

## Conclusion and outlook

In 2018, the transaction volume with respect to housing stock portfolios increased slightly due to one major transaction and another large transaction. The dynamism on the transaction market continues to be dominated by public listed housing companies. As in recent years, they represent the key group of buyers on the German housing portfolio market. Furthermore, similarly to the previous years, they pursued an active growth strategy in 2018, significantly increasing the size of their stocks.

In future, this corporate group will continue to seek growth and look to optimise its portfolios. In addition to further purchases of housing portfolios, such companies are also expanding their stock through new development projects. Furthermore, they are not only investing in

Germany, but also abroad, as well as in other asset classes such as nursing homes.

The German housing market continues to be an attractive and popular investment target for investors both in Germany and abroad. The continuing favourable conditions for financing, geopolitical uncertainties and currently unprofitable alternative investment options, such as government bonds, attract many investors to German real estate. Low-risk-orientated, solvent pension funds and life assurance companies with long-term investment horizons are also seeking investment opportunities. The demand pressure is high, while the supply situation is limited. Thus investments are being made in many different locations.

A fundamentally similar development to 2018 is expected for 2019, with a limited supply and solvent demand generators that will seek many different paths to achieve further growth. As a result of this tense relationship, it is expected that above all small and medium-sized portfolios will be traded. There may be isolated larger sales transactions, as indicated by the currently negotiated takeover of the BGP Group by ZBI Immobilien AG and Union Investment. The deal would mean the sale of almost 16,000 housing units that had only been purchased two years ago by the Chinese state fund CIC.

### Published by

Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) within the Federal Office for Building and Regional Planning (BBR)  
Deichmanns Aue 31–37  
53179 Bonn

### Contact

Jonathan Franke  
jonathan.franke@bbr.bund.de

### Translation

Benjamin Liebelt

### Typsetting and layout

Marion Kickartz

### Printed by

Federal Office for Building and Regional Planning, Bonn

### Orders from

forschung.wohnen@bbr.bund.de  
Subject: BBSR-Analysen KOMPAKT 05/2019

The BBSR series "Analysen KOMPAKT" is published irregularly. Issues can be ordered free of charge.

ISSN 2193-5017 (print version)  
ISBN 978-3-87994-147-6

Bonn, May 2019

### Newsletter „BBSR-Forschung-Online“

The free monthly newsletter provides information on new BBSR publications, Internet articles and event dates (in German only).  
[www.bbsr.bund.de/BBSR/newsletter](http://www.bbsr.bund.de/BBSR/newsletter)