Media Release

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DTZ Research: Largest quarterly investment volume in Europe since 2007

- In the fourth quarter of 2013, the European market recorded investment volumes of EUR46bn, the highest level since Q4 2007. This pushed investment volumes to EUR139bn, up 17% year-on-year
- The core markets of UK and Germany continue to drive European market activity. Q4 also saw strong rebound in peripheral countries with EUR3.7bn of acquisitions
- Cross-border investors have been more active in Q4 investing EUR22bn, up from EUR 11.1bn in Q3. Non-European investors increased their exposure by EUR7bn, focused on the UK, CEE and peripheral countries
- DTZ Research maintains its forecasts for 2014 of EUR150bn, up by 8% from 2013. Volumes are expected to grow significantly in peripherals and CEE countries.

UK: DTZ today released a preview of its Investment Market Update for Europe. The research reveals that European commercial real estate investment activity reached EUR46bn in Q4 2013, the highest quarterly volume since 2007. This took total investment volumes for the full year 2013 to EUR139bn, up by 17% compared with 2012 (EUR118bn).

Across the three core markets, the UK and Germany posted the biggest increases on a quarterly basis, +31% to EUR 20bn and 88% to EUR11bn respectively. By contrast, France recorded a modest growth of 8% over the quarter as volumes reached EUR4.8bn. The Nordics recorded a strong Q4 with EUR4bn of transactions, including EUR1.5bn invested in Norway. In contrast, the CEE region saw a decline in volumes to EUR800m over the quarter.

Nigel Almond, Head of Strategy Research at DTZ Research, commented: “Following the trend highlighted in Q3, the peripheral countries (Ireland, Italy and Spain) continued to attract investor interest and posted the biggest increase in Q4 reflecting the improved outlook for these markets. Investment volumes reached EUR3.7bn in Q4, compared to a quarterly average of EUR1.5bn since the beginning of the year. With EUR7.7bn invested in 2013 (up from EUR3.6bn in 2012), these countries accounted for 6% of the European volume in 2013 as a whole.”

Unlisted funds, listed property companies and institutions continued to dominate the European investment market. Together they represented 76% of total volumes. On a net basis, funds have re-enforced their net buyer position in Europe but to a lesser extent than in the past, investing a net EUR933million in Q4 compared to nearly EUR3bn on average in each of the first three quarters. Institutions continued to increase their exposure with a net investment of EUR1.3bn. Having undertaken most of their portfolio restructuring, listed companies became net investors for the first time since 2012. However, they have reduced their property exposure by EUR400m over the last 12 months.

Magali Marton, Head of EMEA Research at DTZ, added: “The last quarter of 2013 has seen a strong return of cross-border investors in Europe; accounting for 47% of Q4 volumes, up from 32% in Q3. Most of the foreign capital flows came from outside the region, with Asian investors the most dominant. On a net basis, non-European investors continue to increase their holdings in the region with net purchases of EUR7bn in Q4, thanks to numerous purchases of various asset types in the UK, peripheral and CEE countries.”

The year-end rush has mainly benefited the retail sector with volumes totalling EUR12.3bn in Q4, up 74% from EUR 7bn recorded in Q3. Lead by strong volumes in the UK (EUR3.3bn) and Germany (EUR3.8bn), the retail sector has also registered more activity in France (EUR1.3bn) and in Italy (EUR1bn). There, cross-border funds have mostly targeted shopping centre and retail parks. However, offices remained the most popular asset type with EUR22.9bn of acquisitions recorded in Q4 2013, up from EUR18.7bn in Q3. Market activity has lost some momentum in the industrial segment; large European portfolio sales which boosted volumes since the beginning of the year have been less numerous. Volumes declined by 23% quarter-on-quarter to EUR2.7bn in Q4 whilst mixed-use gained in importance over the year to account for EUR4.9bn in Q4.

Magali Marton concludes: “In line with our forecasts, the European market ended 2013 with double digit growth of 17% to EUR139bn. The fourth quarter saw the highest quarterly volumes since Q4 2007, confirming some emerging trends in the European market. Non-European investors are clearly returning to the region and are now active in a wider range of asset types and countries. Growing institutional and sovereign capital, in particular from Asia, showed strong appetite for the European market. In this context, we confirmed our forecasts with an 8% growth anticipated in 2014 to EUR150bn.”

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