OFFICE RENTAL MARKET GERMANY
2018/2019

CATELLA

Office stock in million:

	Munich	Berlin	Frankfurt	Hamburg	Dusseldorf	Cologne	Stuttgart
Office stock in million	13.80 sqm	19.25 sqm	11.95 sqm	13.83 sqm	7.55 sqm / 8.62 sqm*	7.82 sqm	7.90 sqm
Take-up	944,430 sqm ↘	832,630 sqm ↘	627,580 sqm ↘	576,770 sqm ↘	334,040 sqm ↘	303,230 sqm ↘	217,050 sqm ↘

* Ruhr: Dortmund, Essen, Duisburg

TOP 7 Office take-up (total): 3,835,730 sqm

Germany's top 7 office occupier markets achieved very robust result in 2018. With a total office take-up of 3.83 million sqm, turnover was approx. 8 % below the previous year's record, but the 10-year average was nevertheless clearly exceeded. The main reason for the decline is the ever decreasing supply of space, above all the lack of large, contiguous office space. Overall, all markets are therefore experiencing a decline in turnover, with Stuttgart (–18 %) and Frankfurt (–15 %) showing the strongest falls. By contrast, only Cologne (–1.8 %) and Munich (–2.3 %) recorded slighty lower declines. The largest lease contract in 2018 remains the owner occupied office project development for Bosch GmbH in Stuttgart with 50,000 sqm.

–8.50 %
CHANGE 2018 TO 2017

→
FORECAST 2019

Berlin	Stuttgart	Munich	Cologne	Hamburg	Dusseldorf	Frankfurt
1.77 % ↘	2.15 % ↘	2.23 % ↘	2.73 % ↘	3.86 % ↘	7.07 % ↘	7.33 % ↘

TOP 7 Vacancy (average): 3.88 %

The vacancy rate fell by a total of 0.88 percentage points in all top 7 markets in the last 12 months and averaged at 3.88 % by the end of the year. The reduction in vacancy was most noticeable in Frankfurt, at 1.6 percentage points, with an vacancy rate which is now almost at the same level as Dusseldorf. Berlin now has the lowest vacancy rate among the top 7 markets and has fallen again by 0.7 percentage points compared to the previous year. This means that there is currently only around 340,725 sqm of office space available. This corresponds roughly to this year's take up performance of Dusseldorf.

–0.82 percentage points
CHANGE 2018 TO 2017

↘
FORECAST 2019

Frankfurt	Munich	Berlin	Dusseldorf	Hamburg	Stuttgart	Cologne
42.00 €/sqm ↗	37.50 €/sqm ↗	35.00 €/sqm ↗	27.50 €/sqm ↗	27.50 €/sqm ↗	24.50 €/sqm ↗	23.25 €/sqm ↗

TOP 7 Prime rents (average): 31.04 €/sqm

Due to the still very strong demand for office space and a further decline in office supply, prime office rents have continued to rise in all markets. The average prime rent in the top 7 markets is approx. 31.04 €/ sqm, an increase of approx. 6 % compared to the previous year. A new growth record has been registered in Berlin, where prime rent increased by 17 % to currently 35.00 €/sqm within 12 months. The German capital is thus consolidating its position in the ranking of the most expensive office markets in Germany behind Frankfurt and Munich. The growth rates of the remaining locations remain far below Berlin's level and range from 1.9 % (Dusseldorf) to 5.7 % (Cologne).

+5.67 %
CHANGE 2018 TO 2017

↗
FORECAST 2019

Definition according to gif e.V.: the "realised prime rent" comprises the top price segment with a market share of 3% of take-up volume in the past 12 months and is to be reported as a median. In addition, it is assumed that at least three lease contracts are underlying the calculation. However, individual contracts in the small-scale segment ("achievable prime rent") can be significantly higher in some cases.

↗ Change to previous year (increased/decreased/stable)

Source: Catella Research 2019

INVESTMENT MARKET GERMANY
2018 / 2019

CATELLA

Frankfurt	Berlin	Munich	Hamburg	Dusseldorf	Stuttgart	Cologne
€ 9.61 bn ↗	€ 6.99 bn ↘	€ 6.46 bn ↗	€ 5.67 bn ↗	€ 3.69 bn ↗	€ 2.29 bn ↗	€ 1.88 bn ↘

Transaction volume Commercial in € billion

TOP 7 € 36.59 bn +22.76 %*

GERMANY € 60.58 bn +5.61 %*

↘ FORECAST 2018 TRANSACTION VOLUME GERMANY

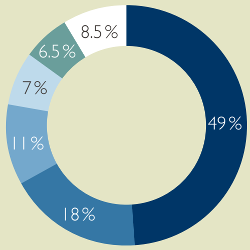
The commercial investment market has had a spectacular year. Absolute record volume, yields at a historically low level and record number of large transactions. A total volume of € 60.58 billion was achieved, exceeding the previous year's result by a further 6 %. The increase was even more pronounced in the top 7 markets, with an increase of 23 %. The main reason for this was the record number of transactions in the three-digit million range. The speculative result in Frankfurt of € 9.61 billion is also due to these large transactions. The sale of the Omniturm for € 700 million to Commerz Real is thus also the largest single transaction of the year.

Office properties remain the most sought after asset achieving the highest volume, while the retail sector is increasingly declining and struggling with structural changes. Investments in the logistics sector, on the other hand, continue to increase, and investors see sustained growth potential in value here.

The proportion of foreign buyers fell to around 42 % compared with the previous year, primarily due to lower investments from the USA, United Kingdom and France.

For 2019, we expect a similarly strong dynamic, supported by a lack of investment alternatives and a zero interest rate policy until at least summer 2019. A quantitative repetition of the individual transactions in the three-digit million range is almost impossible, so that the transaction volume will achieve approx. € 55 billion.

Transaction volume in Germany by asset classes 2018



- Office
- Retail
- Logistics
- Hotel
- Mixed Use
- Others (i. a. Healthcare, Data Center)

Frankfurt	Dusseldorf	Munich	Stuttgart	Berlin	Hamburg	Cologne
87 % →	66 % ↘	65 % ↗	64 % ↘	56 % ↘	55 % ↘	43 % →

Strongest asset class office

TOP 7 ⌀ 62 % –5.7 percentage points*

GERMANY ⌀ 49 % +6.0 percentage points*

→ FORECAST OFFICE 2019

↘ FORECAST RETAIL 2019

↗ FORECAST LOGISTICS 2019

Berlin	Munich	Hamburg	Frankfurt	Dusseldorf	Stuttgart	Cologne
2.80 % ↘	2.90 % ↘	3.00 % ↘	3.00 % ↘	3.20 % ↘	3.25 % ↘	3.30 % ↘

TOP 7 Prime yield (net, average): 3.06 %

The continuing shortage of supply and high competition in the core segment are causing prime yields for office properties in the top 7 markets to fall to an average of 3.06 %. Compared to the previous year, this represents a decline of 24 basis points. Berlin has thus become the most expensive location within 12 months. Prime office yield decreased again by a further 20 basis points. However, the sharpest decline in prime yield of –50 basis points was registered in Cologne. On the other hand, Munich and Hamburg only recorded slight declines of –10 basis points. Although we continue to expect above-average momentum and high investor demand on the German investment market, we do not expect a similarly strong compression in yields as in 2018 or 2017. Instead, investors will focus on core-plus or value-add investments with good growth potential or manage-to-core approaches. In addition, demand shifts towards B- locations within the top markets are already strongly visible.

↘ –0.24 percentage points
CHANGE 2018 TO 2017

→ FORECAST 2019

↗ Change to previous year (increased/decreased/stable) * Change to previous year

Source: Catella Research 2019
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