OFFICE RENTAL MARKET GERMANY
2019/2020

CATELLA

TOP 7 Office take-up volume (total): 3,932,250 sqm

The German top 7 office letting markets also developed very dynamically last year. The total office take-up volume amounted to approx. 3.93 million sqm and thus slightly exceeded the previous year's result again by approx. 2.5%. The demand for office space in developments continues to be high. The main reason for this is above all the low availability of high-quality, modern office space (CBD) in existing buildings. There is still a large number of office spaces in the central inner city locations with outdated infrastructure or a considerable modernisation backlog that do not meet the current requirements of tenants.

+2.5% COMPARED TO PREVIOUS YEAR

	Berlin	Munich	Frankfurt	Hamburg	Dusseldorf	Stuttgart	Cologne
Office take-up volume (only urban area, without surrounding area):	989,625 sqm	765,475 sqm	573,700 sqm	530,600 sqm	469,250 sqm	313,025 sqm	290,575 sqm
Office stock in million (only urban area, without surrounding area):	19.39 sqm	14.03 sqm	11.87 sqm	13.85 sqm	7.62 sqm/ 8.10 sqm *	8.01 sqm	7.90 sqm

*Rhine-Ruhr: Dortmund, Essen, Duisburg

TOP 7 Vacancy (average): 3.42%

The vacancy rate has fallen by a total of 0.46 percentage points in all top 7 markets over the last 12 months, and averaged 3.42% at the end of the year. Although the availability of space continues to decline, it is no longer as high as in previous years. Berlin is now at an absolute record low with a current vacancy rate of 1.44%. Here, too, the vacancy reduction was somewhat lower than in the previous year. Munich (2.13%) and Stuttgart (2.02%) are also increasingly approaching the 2% threshold.

–0.46 percentage points COMPARED TO PREVIOUS YEAR

Berlin	Stuttgart	Munich	Cologne	Hamburg	Dusseldorf	Frankfurt
1.44%	2.02%	2.13%	2.38%	3.13%	6.03%	6.80%

TOP 7 Prime Rent (average): € 33.14/sqm

Due to the still very strong demand for office space and a further decline in the supply of space, prime office rents have continued to rise in all markets. In the top 7 markets, prime rent amounts to an average of approx. € 33.14/sqm, an increase of 6.8% compared to the previous year. The strongest growth was again recorded in the German capital with approx. 13% compared to the previous year. The prime rent in Berlin thus reached the level of the Bavarian capital. Frankfurt remains the front-runner with € 45.00/sqm (+7%). Cologne can record a similarly high rent increase as Berlin with approx. 12%, reaching € 26.00/sqm at the end of the year.

+6.8% COMPARED TO PREVIOUS YEAR

Frankfurt	Munich	Berlin	Hamburg	Dusseldorf	Cologne	Stuttgart
€ 45.00/sqm	€ 39.50/sqm	€ 39.50/sqm	€ 29.00/sqm	€ 28.50/sqm	€ 26.00/sqm	€ 24.50/sqm

change to previous year

Source: Catella Research 2020

INVESTMENT MARKET GERMANY
2019/2020

CATELLA

Transaction volume Commercial in € billion

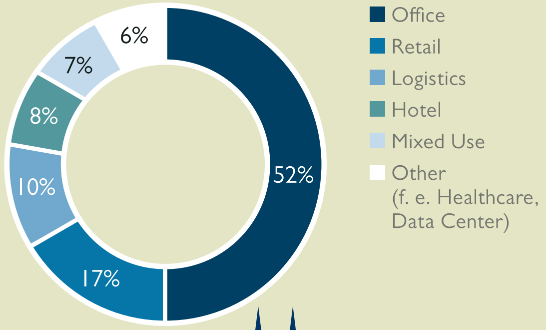
TOP 7	EUR 43.42 bn
GERMANY	EUR 70.73 bn

TOP 7	GERMANY	
+18.7%	+ 16.8%	COMPARED TO PREVIOUS YEAR

The record inflow on the commercial investment market continues: never before a higher transaction volume has been achieved in this country, prime office yields are reaching new lows and Berlin's investment volume alone is higher than the total transaction volume in Germany in 2009. With a transaction volume of approximately €70.7 billion in Germany, the previous year's result was again exceeded by 17%. Overall, a good mix of many large-volume portfolio sales and large individual transactions contributed to this excellent result. Particularly noteworthy in this regard were the Dream Global acquisition by Blackstone for €3.2 billion and the sale of Tucherpark in Munich for approximately €1.1 billion. Office properties remain the most popular asset class among investors (52% share), followed by retail properties (17% share). Investments in logistics facilities remain stable (10%), while the volume of mixed-use and hotel transactions has risen to a share of 8% and 7% respectively.

For 2020, we continue to expect a high level of investment momentum, driven by a lack of investment alternatives and a zero-interest rate policy until at least autumn 2020. Vale-add opportunities, diversification potential and a balanced risk/return ratio will remain the key words in the German investment market in 2020. By the end of the year Catella Research forecasts a transaction volume between €55 billion and €65 billion.

Transaction volume Germany by asset classes



Berlin	Munich	Frankfurt	Hamburg	Dusseldorf	Cologne	Stuttgart
€ 12.05 bn	€ 10.28 bn	€ 8.05 bn	€ 4.31 bn	€ 3.66 bn	€ 3.23 bn	€ 1.84 bn

GERMANY Strongest asset class office

TOP 7	ø 71%
GERMANY	ø 52%

TOP 7	GERMANY
+8.3 percentage points	+2.5 percentage points

COMPARED TO PREVIOUS YEAR

Frankfurt	Berlin	Munich	Hamburg	Dusseldorf	Cologne	Stuttgart
80%	78%	78%	71%	65%	62%	60%

TOP 7 Office prime net yield (average): 2.88%

−0.18 percentage points

COMPARED TO PREVIOUS YEAR

Investors continue to focus on core and trophy properties, thus prime yields for office properties in the top 7 markets have fallen to an average of 2.88% in the face of a lack of properties and very high demand. Compared to the previous year, this represents a decline of 18 basis points. However, the drastic yield compression of previous years has slowed down. On the one hand, investors are increasingly diversified and willing to take risks, while on the other hand most of the top markets have a lack of suitable developments plots in prime locations.

Berlin and Munich therefore now share the rank of Germany's most expensive office investment, with a prime yield of 2.65%. However, the sharpest drop in yields of 25 basis points was registered in Stuttgart. In the course of the year, further yield declines are possible in the top. However, we expect to see more pronounced declines in the suburban locations and in the German B and C markets.

Munich	Berlin	Frankfurt	Hamburg	Stuttgart	Dusseldorf	Cologne
2.65%	2.65%	2.85%	2.90%	3.00%	3.00%	3.10 %

change to previous year

Source: Catella Research 2020
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