OFFICE MARKET GERMANY
1st Half 2019

CATELLA

Berlin	Munich	Hamburg	Frankfurt	Dusseldorf	Stuttgart	Cologne
410,830sqm ↗	392,140sqm ↘	310,820sqm ↗	263,100sqm ↗	212,320sqm ↗	142,100sqm ↗	141,400sqm ↗
Office stock in million:						
19.30sqm	13.85sqm	13.82sqm	12.00sqm	7.61sqm/8.70sqm*	7.90sqm	7.95sqm

*Rhine-Ruhr: Dortmund, Essen, Duisburg

TOP 7 Office take-up (total): 1,872,710 sqm

In the first half of 2019, office take-up at the 7 top office locations rose by around 9% year-on-year to 1.87 million sqm. The main reasons for the positive result are the numerous large transactions above 10,000 sqm and the above-average office turnover in Hamburg. Nearly all locations recorded take-up growth, with only Munich recording a decline of just 9%. Nevertheless, the Bavarian state capital remains the location with the second highest office space turnover. By far the largest increase in turnover of 31% was recorded by the Hanseatic City of Hamburg. The take-up figures reflect the very good overall economic situation, although deficits in the completion figures weaken success somewhat. For the second half of the year, which is under the sign of an economic slowdown, we expect a slight decline in take-up volume for the time being.

+8.5%
COMPARED TO 1ST HALF 2018

FORECAST Q4/2019

Berlin	Munich	Stuttgart	Cologne	Hamburg	Dusseldorf	Frankfurt
1.52% ↘	2.03% ↘	2.10% ↘	2.60% ↘	3.23% ↘	6.78% ↘	6.92% ↘

TOP 7 Vacancy (average): 3.60%

The vacancy rate continued to decline in all top 7 markets and averaged around 3.6% in the current half-year period. Compared with the first half of 2018, the vacancy rate thus fell by 0.6 percentage points, but the drastic reduction in vacancy rates in previous years is weakening somewhat due to a slight increase in construction activity. In addition to Berlin, Munich and Stuttgart are now also approaching the 2% threshold. Unfortunately, the vacancy rate in Dusseldorf and Frankfurt is much higher than in the other top markets. It is also clear that more and more properties from the early 1990s are being repositioned, but with mixed-use character and less monofunctional with a focus on pure office use.

–0.6
Percentage points
COMPARED TO 1ST HALF 2018

FORECAST Q4/2019

Frankfurt	Munich	Berlin	Dusseldorf	Hamburg	Cologne	Stuttgart
42.50€/sqm ↗	37.50€/sqm ↗	36.00€/sqm ↗	28.00€/sqm ↗	28.00€/sqm ↗	24.75€/sqm ↗	24.50€/sqm ↗

TOP 7 Prime rents (average): 31.61 €/sqm

Over the past 12 months, top office rents in the top 7 markets have continued to rise, albeit to varying degrees. On average, this is currently 31.61 €/sqm and thus approx. 5% above the previous year's level. After all, Berlin is one of the locations with the strongest rent increases, but this is somewhat weaker than in previous years (current +8.4%). The strongest rise in prime rent was in Cologne, where it currently stand at 24.75 €/sqm, which corresponds to an increase of 12.5%. The lowest growth rates can be observed in the cities of Munich and Stuttgart, each with a plus of 0.50 €/sqm. The slight increase is quite understandable due to the scarcity of office space in the prime segment (project developments / CBD), low construction activity in prime locations and shifts in demand towards peripheral locations.

+5.2%
COMPARED TO 1ST HALF 2018

FORECAST Q4/2019

↗ Change to 1st half 2018 (increased/decreased)

Source: Catella Research 2019

INVESTMENT MARKET GERMANY
1st Half 2019

CATELLA

Berlin	Frankfurt	Munich	Dusseldorf	Hamburg	Cologne	Stuttgart
EUR 5.13 bn ↗	EUR 2.41 bn ↘	EUR 1.86 bn ↘	EUR 1.11 bn ↘	EUR 1.08 bn ↘	EUR 0.87 bn ↗	EUR 0.77 bn ↘

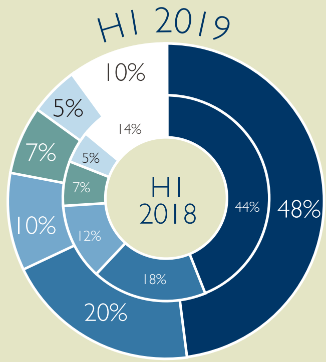
Transaction volume commercial in EUR Bn

TOP 7	EUR 13.22 bn	–10.23%*
GERMANY	EUR 24.27 bn	–4.84%*

↘ FORECAST Q4/2019 TRANSACTION VOLUME GERMANY

The German commercial investment market continues to be highly dynamic and generated a transaction volume of around € 24.3 billion in the first half of the year. Despite a slight decline (-5%) compared to the previous year, this result is extremely positive due to the ongoing trade dispute between the USA and China and a weakening economic dynamic. Particularly noteworthy are the above-average transaction volume and the number of large single-asset deals. With an equally high, but slightly declining transaction volume, the Top 7 markets achieved a very positive half-year result. With a total of € 13.22 billion, the decline compared to the previous year amounts to approx. 10% and thus records the second-highest transaction volume of the last 10 years. At € 5.13 billion (+63%), the Berlin investment market achieved a new record result and is thus largely responsible for the positive half-year result. In addition to Berlin, only Cologne can still achieve a 24% increase in transaction volume. In Hamburg half of the transaction volume from the previous year was achieved and with -52% corresponds to the strongest decline among the Top 7. Despite a lower investment volume in Germany and some Top 7 markets the national and international demand for commercial real estate remains high. An increasing shift towards "value-add" is evident from the half-year figures in the individual analysis.

Transaction volume by asset classes



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

Frankfurt	Berlin	Munich	Hamburg	Dusseldorf	Stuttgart	Cologne
87% ↗	73% ↗	71% ↗	57% ↘	48% ↘	Retail 48% ↗	42% ↘

Strongest asset class office

TOP 7	Ø 63%	+ 3.0 Percentage points*
DEUTSCHLAND	Ø 48%	+ 4.0 Percentage points*

↗ FORECAST OFFICE Q4/2019

→ FORECAST RETAIL Q4/2019

↗ FORECAST LOGISTICS Q4/2019

Berlin	Munich	Frankfurt	Hamburg	Dusseldorf	Stuttgart	Cologne
2.80% ↘	2.90% ↘	2.95% ↘	3.00% ↘	3.10% ↘	3.20% ↘	3.25% ↘

TOP 7 Prime yield (net, average): 3.03%

The continuing supply shortage in the core office segment is causing net initial yields in all top 7 markets to fall to an average of 3.03%. In addition to Berlin and Munich, Frankfurt has now also fallen below the yield threshold of 3% and has thus fallen by a further 20 basis points within 12 months. The prime yield fell most sharply in Cologne (-35 basis points) and is currently at 3.25%, almost the same level as in Stuttgart. At the half-year point, however, it becomes apparent that the prime yields in the top 7 will not experience any significant yield compression at the level of the last 24 months. Compared with the first half of 2018, average prime yield still fell by 17 basis points, but since the fourth quarter of 2018 it has only fallen by 3 basis points. As a decisive price driver, the potential rent increases priced in by investors will therefore play an increasingly important role.

↘ –0.17 Percentage points*

↘ FORECAST Q4/2019

* Change to 1st half 2018

↗ Change to 1st half 2018 (increased/decreased)

Source: Catella Research 2019 Contact: research@catella.de