OFFICE RENTAL MARKET GERMANY
2017 / 2018

CATELLA

	Munich	Berlin	Frankfurt	Hamburg	Dusseldorf	Cologne	Stuttgart
Office stock in million:	21.90 sqm	19.30 sqm	11.60 sqm	13.80 sqm	7.70 sqm/8.20 sqm*	7.70 sqm	7.80 sqm
	966,880 sqm ↗	920,060 sqm ↗	735,260 sqm ↗	631,000 sqm ↗	367,800 sqm ↗	308,730 sqm ↘	264,370 sqm ↘

*Rhine-Ruhr: Dortmund, Essen, Duisburg

TOP 7 Floor-space turnover (total): 4,194,100 sqm

The German Top 7 office rental markets once again achieved a record turnover in 2017. With a total leased office space of 4.19 million sqm. Last year's result was exceeded. The multiple large-scale rental deals with more than 10,000 sqm are notably positive aspects, as well as the large demand for project developments. The largest deal of the year was recorded in Frankfurt where the Deutsche Bahn signed a 52,000 sqm rental deal.

Only Stuttgart and Cologne recorded declining figures, which can be traced back to supply shortages and the strong rental turnovers of the previous year. Of the Top 7 locations, Frankfurt can record the highest turnover increase with approx. 31 %.

For 2018, we expect similarly high levels of turnover, even if the strong focus on CBDs up to now is shifting towards outskirts/arterial roads/development areas.

↗ +9.0 %
CHANGE 2017 TO 2016

→
FORECAST 2018

Stuttgart	Berlin	Munich	Cologne	Hamburg	Dusseldorf	Frankfurt
2.30 % ↙	2.50 % ↙	3.00 % ↙	3.80 % ↙	4.70 % ↙	7.70 % ↙	8.90 % ↙

TOP 7 Vacancy (average): 4.70 %

The vacancy rate decreased in all Top 7 locations by a total of one percentage point and was at 4.7 % by the end of the year. Stuttgart now has the lowest vacancy rate of the Top 7 and has decreased by a further 1.1 % compared to the previous year. Besides Stuttgart, there are barely any short-term available office spaces in the city centers of Berlin and Munich. Therefore, shifts in demand towards peripheral locations can be observed.

For 2018, we expect a significant decline of vacancy due to a strong take-up as well as refurbishment activities (including repurposing for residential use).

↙ –1.0 percentage points
CHANGE 2017 TO 2016

↘
FORECAST 2018

Frankfurt	Munich	Berlin	Dusseldorf	Hamburg	Stuttgart	Cologne
39.90 €/sqm ↗	36.50 €/sqm ↗	30.00 €/sqm ↗	27.00 €/sqm ↗	26.50 €/sqm ↗	23.70 €/sqm ↗	22.00 €/sqm ↗

TOP 7 Prime rents (average): 29.37 €/sqm

The high floor-space demand with a simultaneously decreasing supply of office space is causing rents to tighten even further. Frankfurt still achieved the highest office prime rent, however Berlin can record a significant increase of its prime rent by 13 %, followed by Stuttgart with 7.8 %. Cologne is the worst performing location of the Top markets with an increase of approx. 1 %.

We expect a slight increase of prime rents in the new-build/first-time occupancy segment (+1.5 %), for 2018 – the excellent economic development will be noticed in existing properties, where the average rents will increase by approx. 2.5 % in new contracts or contract extensions (after refurbishment).

↗ +4.0 %
CHANGE 2017 TO 2016

↗
FORECAST 2018

Source: Catella Research 2018

INVESTMENT MARKET GERMANY 2017 / 2018

CATELLA

Berlin	Frankfurt	Munich	Hamburg	Dusseldorf	Cologne	Stuttgart
EUR 7.42 bn	EUR 6.72 bn	EUR 5.70 bn	EUR 3.64 bn	EUR 2.94 bn	EUR 2.16 bn	EUR 1.24 bn

Transaction volume commercial in EUR Bn

TOP 7 EUR 29.81 bn +3.10%*

GERMANY EUR 57.36 bn +9.30%*

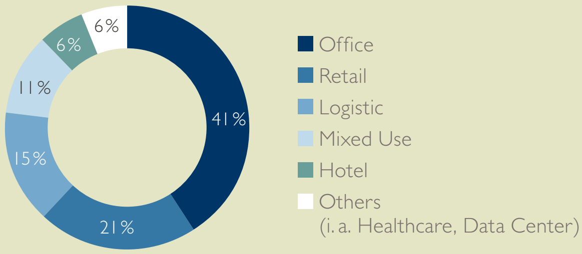
FORECAST 2018 TRANSACTION VOLUME GERMANY

In 2017, the turnover on the German commercial investment market was at EUR 57.4 bn, which is a new record figure since 2017, despite product scarcity. The key drivers for this are the strongly increasing prices in the core segment. Office properties remain the most popular asset class. Furthermore, the share of sold office projects and large volume single projects has increased.

Foreign investors were more active than in 2017 and achieved a share of 47%. The most foreign capital in Germany was invested by the USA (24%). Asian investors achieved a new peak value with a share of approx. 13%. In the Top 7 markets, the total foreign capital can account for more than half of the total transaction volume.

In 2018, we expect the transaction volume to slightly decrease – shifts towards portfolios and foreign investors cause a noticeable internationalization of the market.

Transaction volume by asset classes 2017



Frankfurt	Dusseldorf	Berlin	Hamburg	Stuttgart	Munich	Cologne
88 %	81 %	70 %	69 %	67 %	55 %	46 %

Strongest asset class office

TOP 7 ⌀ 68 % −3.3 percentage points*

GERMANY ⌀ 43 % −2.0 percentage points*

FORECAST OFFICE 2018

FORECAST RETAIL 2018

FORECAST LOGISTIC 2018

Munich	Berlin	Hamburg	Frankfurt	Stuttgart	Dusseldorf	Cologne
3.00 %	3.00 %	3.10 %	3.20 %	3.50 %	3.50 %	3.80 %

TOP 7 Prime yield (net, average): 3.30 %

The persistent supply scarcity and the large competition in the core segment have caused the prime yields of office locations in the Top 7 markets to decrease to an average 3.30%. Compared to the previous year, this means a decrease of more than 30 base points. Together with Munich, Berlin has become the most expensive office location and can record a further decrease of yields by 30 base points in 12 months. With the Sony Center (EUR 1.1 bn) and two Axel Springer properties (EUR 425 million and EUR 330 million), three of the four largest German single office sales were achieved here. The second largest office deal of the year was achieved in Frankfurt with the Tower 185 (EUR 775 million).

By the middle of 2018, the yields will continue to sink to approx. 3.25% in the Top 7 markets because of the increasingly competitive position, premium markups for trophy buildings and portfolios will become the norm.

−0.32 percentage points*

FORECAST 2018

*Change to 2016

Change to previous year (increased/decreased)

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