

# GERMANY Office Market Snapshot

Second Quarter | 2017



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Expected to increase due to shortage of modern space in central locations.	▼
Prime Yields:	Down, due to strong demand and few supply in specific with super prime properties in core locations.	▲
Supply:	Declining due to high absorption levels and the limited amount of larger speculative developments.	▲
Demand:	Strong demand in all major office markets is expected to sustain over the next months.	►

### Prime Office rents – June 2017

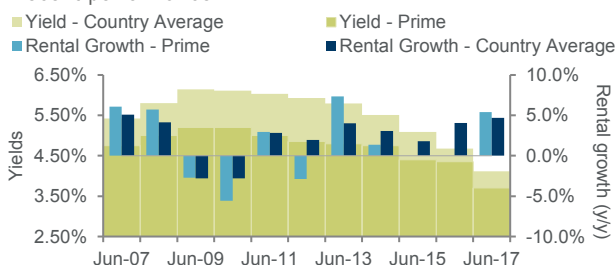
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Berlin (CBD)	26.50	318	33.0	8.2	3.8
Berlin (Decentralised)	13.60	163.2	16.9	8.8	6.3
Frankfurt (CBD)	39.00	468	48.5	5.4	2.8
Frankfurt (Decentralised)	15.50	186	19.3	0.0	3.6
Hamburg (CBD)	25.50	306	31.7	2.0	1.6
Hamburg (Decentralised)	15.00	180	18.7	3.4	8.4
Munich (CBD)	35.00	420	43.5	2.9	2.5
Munich (Decentralised)	18.00	216	22.4	7.5	5.2
Dusseldorf (CBD)	26.50	318	33.0	0.0	2.0
Dusseldorf (Decentralised)	12.25	147	15.2	2.1	3.1

### Prime Office yields – June 2017

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Berlin	3.25	3.70	3.90	5.50	3.25
Frankfurt	3.70	3.90	4.35	5.20	3.70
Hamburg	3.40	3.60	3.90	5.20	3.40
Munich	3.00	3.00	3.50	5.10	3.00
Dusseldorf	3.90	4.00	4.35	5.20	3.90

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

Germany's economy is performing well with 0.6% year-on-year growth in GDP in Q1 and buoyant sentiment among German businesses in Q2: The ifo business climate rose to 115.1 points and hit a new record at the end of June. Companies also expect business to improve further. At the same time consumer sentiment, as measured by the GfK Consumer Climate Index, reached its highest level of the last three years. The unemployment rate decreased to 5.5% at the end of June. Positive economic conditions were reflected in the market in the form of strong take-up and investment appetite in Q2.

## Occupier focus

Demand for office space was strong across all major office markets. In Q2 take-up in the top 5 markets amounted to 846,000 sq.m, which is slightly below the outstanding result in Q1 but lifted the mid-year result 9% above last year's excellent performance. Berlin and Munich recorded particularly strong demand, contributing more than 50% to total take-up in H1. The aggregated vacancy rate in the top 5 markets is down to 5.2% (Q2 2016: 6.2%) with an acute shortage of large-scale modern office spaces in central urban locations. Considering the vigorous market activity, construction volume is at a low level: Currently 1,928,200 sq.m of new office space is under construction, which is considerably below the ten-year average for aggregated take-up in the top 5 markets (2,638,500 sq.m).

## Investment focus

Appetite for office assets remained strong and office investment transaction volumes again ranked first of all sectors in Q2. Investors continue to focus on the major economic hubs despite secondary locations and secondary products attracting significant investment volumes. In Q2 few single-asset deals above the €100 mn threshold took place in the major markets, partly as a result of the strong level of market activity in the previous 2-3 years. Yields compressed once again.

## Outlook

The German economy is expected to grow by 2.3% in 2017 and by 1.6% p.a. in the next five years according to forecasts by Oxford Economics. The ECB is expected to pursue a policy which keeps bond yields at a low level over the coming months. Both occupier markets and investment markets will profit from these conditions.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Berlin	18,475,900	547,400	3.0%	220,000	412,000	536,800
Frankfurt	11,957,700	1,005,900	8.4%	119,700	239,700	264,100
Hamburg	14,613,900	785,000	5.4%	137,200	296,200	313,400
Munich	20,426,500	803,700	3.9%	161,300	425,300	589,800
Dusseldorf	8,926,500	761,200	8.5%	108,500	219,500	224,100
<b>Germany Top 5 Markets (Overall)</b>	<b>74,400,500</b>	<b>3,903,200</b>	<b>5.2%</b>	<b>746,700</b>	<b>1,592,700</b>	<b>1,928,200</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Embassy of Poland	Berlin	Embassy of Poland	10,000	Owner Occupation
The Grow	Berlin	Bonial International	7,900	Pre-Lease
Project Kennedydamm	Dusseldorf	Bankhaus Lampe KG	13,000	Pre-Lease
Junghof Plaza	Frankfurt	Clifford Chance	11,800	Pre-Lease
TRIANON	Frankfurt	German Central Bank	8,000	Expansion
Olympus HQ	Hamburg	Olympus	34,500	Pre-Lease
ATLAS	Munich	Design Offices	8,300	Pre-Lease
Microcity	Munich	BMW AG	7,400	New Lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
T8	Frankfurt	Credit Suisse / Mirae Asset Global Investments	n/a	300
Fleet Office II	Hamburg	Becken / CBRE Global Investors	n/a	93
EightFloors	Berlin	Patron Capital Partners / Allianz Real Estate	n/a	175
Zalando HQ	Berlin	UBM Development / Capstone Asset Management	6.5%	196
Mercedes-Benz Bank building	Stuttgart	Hines / Baden-Wurtemberg Stiftung	n/a	120

Source: Cushman & Wakefield, Real Capital Analytics

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**Ursula-Beate Neißer**  
 Head of Research, Germany  
 Rathenauplatz 1, 60313 Frankfurt am Main,  
 Germany  
 Tel: +49 (0) 69 5060 73 140  
[ursula-beate.neisser@cushwake.com](mailto:ursula-beate.neisser@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)