

## GERMANY

# Office Market Snapshot

First Quarter | 2019



### MARKET INDICATORS

#### Market Outlook

- Prime Rents: Expected to increase due to shortage of modern space in central locations and solid level of demand. ▼
- Prime Yields: Expected to keep their low level due to strong demand with potential for slight decreases. ►
- Supply: Completion volume will increase in 2019. High levels of pre-leases will keep modern supply on a low level. ►
- Demand: Solid demand is expected to be sustained in all top-5 markets. ►

#### Prime Office rents – March 2019

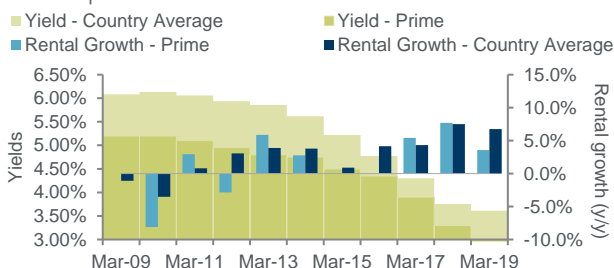
LOCATION	€	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Berlin (CBD)	35.00	420	44.1	14.8	9.5
Berlin (Decentralised)	15.75	189	19.8	8.6	7.4
Frankfurt (CBD)	43.50	522	54.8	3.6	3.3
Frankfurt (Decentralised)	18.50	222	23.3	12.1	5.7
Hamburg (CBD)	27.50	330	34.6	5.8	2.8
Hamburg (Decentralised)	16.50	198	20.8	5.1	5.7
Munich (CBD)	38.00	456	47.9	4.1	3.2
Munich (Decentralised)	21.50	258	27.1	10.3	7.5
Dusseldorf (CBD)	28.00	336	35.3	1.8	0.4
Dusseldorf (Decentralised)	14.50	174	18.3	11.5	4.7

#### Prime Office yields – March 2019

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Berlin	3.10	3.10	3.10	5.50	3.10
Frankfurt	2.90	2.90	3.30	5.20	2.90
Hamburg	2.90	2.90	3.10	5.20	2.90
Munich	2.50	2.50	2.80	5.10	2.50
Dusseldorf	3.30	3.30	3.50	5.20	3.30

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

According to preliminary figures from Oxford Economics, Germany's GDP grew by 0.5% in Q1 2019, profiting from buoyant domestic demand and strong employment growth despite marked labour shortages. The unemployment rate was at 5.1% at the end of March (March 2018: 5.5%). In contrast, steep falls in manufacturing climate surveys and factory orders are worrying for the near-term prospects of exporting firms and may restrain their capital investment.

### Occupier focus

Take-up volume in the German top-5 markets amounted to 733,600 sq. m in the first quarter 2019. This is 8% below last year's strong Q1 performance. However, the demand remained solid, surpassing the ten year-average of first quarters by 17%. Total take-up was boosted by strong results in Berlin (223,500 sq. m) and Munich (193,700 sq. m), while Frankfurt saw a decline of 48% in comparison to Q1 2017, to a mere 83,100 sq. m. Lack of availability is increasingly a limiting factor preventing a stronger result: The aggregated vacancy rate in the top-5 declined from 4.6% in Q1 2018 to the current low of 3.9% with an acute shortage of large-scale modern office spaces in central urban locations. Due to the acute shortages and steady demand for high quality office space, prime rents per sq. m/month increased in four of the top five locations over the first quarter with particularly strong growth in Berlin (+€2.00).

### Investment focus

Office investment began 2019 with a quarterly investment volume of €5.8 bn, constituting some 51% of all commercial transaction volume and thus re-confirming that office property is at the top of investors' shopping lists. Large single-asset opportunities in the main markets attracted investors most strongly, with Berlin seeing the largest number of transactions of over €100 million. Prime yields remained static in the main five markets.

### Outlook

The Oxford Economics GDP growth forecast for 2019 is 1.1% year-on-year, after growth of 1.5% in 2018, providing stable conditions for occupier and investment markets. However, the economic upswing of recent years is abating due to ongoing risks and uncertainties from Brexit and international trade disputes. Office take-up in the main five markets is expected to decline in comparison to last year but remain at a solid level and come close to 3.1 million sq. m by the end of 2019. Prime rents are still edging upwards in the top five locations.

# GERMANY Office Market Snapshot

First Quarter | 2019



LOCATION	BUILT STOCK (SQ. M)	AVAILABILITY (SQ. M)	VACANCY RATE (%)	TAKE-UP (SQ. M)	TAKE-UP YTD (SQ. M)	UNDER CONSTRUCTION (SQ. M)
Berlin	18,735,900	241,100	1.3%	223,300	223,300	1,310,400
Frankfurt	11,694,900	822,500	7.0%	83,100	83,100	402,300
Hamburg	14,771,200	528,900	3.6%	138,900	138,900	540,200
Munich	20,621,400	629,800	3.1%	193,700	193,700	1,219,100
Dusseldorf	9,002,800	677,800	7.5%	94,600	94,600	269,500
<b>Germany Top 5 Markets (Overall)</b>	<b>74,826,200</b>	<b>2,900,100</b>	<b>3.9%</b>	<b>733,600</b>	<b>733,600</b>	<b>3,741,500</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ. M)	TRANSACTION TYPE
Ku'damm Eck	Berlin	MC fit	19,500	Pre-Lease
Bürocenter Eschborn I	Frankfurt	GIZ	10,600	Expansion
Unilever Building	Hamburg	XING	21,600	New Lease
Edge Elbside	Hamburg	Vattenfall	15,900	Pre-Lease
QUADRIGA	Munich	Allianz Deutschland GmbH	19,100	New Lease
Bavaria Towers - Sky Tower	Munich	Design Offices GmbH	9,600	Pre-Lease
Albertusbogen	Dusseldorf	Barmer Ersatzkasse	13,600	New Lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER
Pressehaus	Berlin	Tishman Speyer / GEG German Estate Group
Herzogterrassen	Dusseldorf	Blackstone / Godewind
Westend Yards	Munich	PGIM RE / LaSalle IM

Source: Cushman & Wakefield, Real Capital Analytics

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2019 Cushman & Wakefield LLP. All rights reserved.

**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)