

## MARKET INDICATORS

## Market Outlook

Prime Rents:	Expected to increase due to shortage of modern space in central locations and high level of demand.	▼
Prime Yields:	Expected to keep their low level due to strong demand.	▶
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 – December 2018

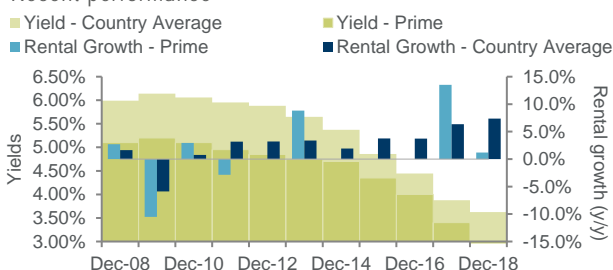
LOCATION	€	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Berlin (CBD)	33.00	396	41.9	13.8	8.2
Berlin (Decentralised)	15.50	186	19.7	10.7	8.1
Frankfurt (CBD)	42.50	510	54.0	1.2	2.8
Frankfurt (Decentralised)	18.50	222	23.5	12.1	5.7
Hamburg (CBD)	27.00	324	34.3	3.8	2.4
Hamburg (Decentralised)	16.25	195	20.7	4.8	6.3
Munich (CBD)	38.00	456	48.3	5.6	3.5
Munich (Decentralised)	21.50	258	27.3	13.2	7.5
Dusseldorf (CBD)	27.50	330	35.0	1.9	0.0
Dusseldorf (Decentralised)	14.00	168	17.8	9.8	4.9

## Prime Office yields – December 2018

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	2.95	3.40	5.20	2.90
Hamburg	2.90	3.00	3.30	5.20	2.90
Munich	2.50	2.70	2.80	5.10	2.50
Dusseldorf	3.30	3.40	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 the German statistical office, GDP grew by 1.5% in 2018. After a particular strong increase of 2.5% in 2017, Germany's economy cooled somewhat, especially in the second half of 2018. This was mainly due to the weaker growth in value added by the German industrial sector, which suffered as a result of global political and economic turbulence. However, underlying trends remain strong. Labour market strength in particular continues to support domestic demand. The unemployment rate was at 4.9% at the end of the year (December 2017: 5.3%).

## Occupier focus

Letting was strong in the German top-5 office markets throughout 2018 with full-year take-up volume of 3,395,100 sq.m of which 29% was in Q4, making it the strongest quarter. The cumulative result is 7% below last year's record performance, but the second-highest annual take-up ever recorded. Particularly strong demand was seen in Munich (987,100 sq. m) and Berlin (874,700 sq. m), together contributing 55% to total take-up. However, shortage of availability was a limiting factor preventing an even stronger result in 2018: The aggregated vacancy rate in the top-5 declined by 17% to 3.9% (Q4 2017: 4.7%) with an acute shortage of large-scale modern office spaces in central urban locations. Due to the acute shortages and strong demand for high quality office space, prime rents per sq. m/month increased in all top five locations over the year with particular strong growth in Berlin (+ €4.00).

## Investment focus

Office property is at the top of investors' shopping lists. In 2018 investment volume reached €30.75 bn which is 21% above the previous year's total. Large single-asset opportunities in the main markets attracted investors most strongly. Prime yields compressed in four of the main five markets.

## Outlook

The Oxford Economics GDP growth forecast for 2019 is 1.6% year-on-year, continuing the solid growth of 2018 and providing stable conditions for occupier and investment markets despite risks and uncertainties arising from Brexit and international trade disputes. Office take-up in the main five markets is expected to decline slightly but remain at a high level and come close to 3.1 million sq. m by the end of 2019. Prime rents are expected to continue to increase in the top five locations.

# GERMANY Office Market Snapshot

Fourth Quarter | 2018



LOCATION	BUILT STOCK (SQ. M)	AVAILABILITY (SQ. M)	VACANCY RATE (%)	TAKE-UP (SQ. M)	TAKE-UP YTD (SQ. M)	UNDER CONSTRUCTION (SQ. M)
Berlin	18,690,500	289,800	1.6%	283,500	874,700	1,293,500
Frankfurt	11,722,600	819,800	7.0%	180,900	613,800	402,000
Hamburg	14,793,100	561,000	3.8%	130,200	544,000	423,400
Munich	20,586,800	550,500	2.7%	287,200	987,100	982,700
Dusseldorf	9,007,800	680,000	7.5%	91,000	375,500	238,900
<b>Germany Top 5 Markets (Overall)</b>	<b>74,800,800</b>	<b>2,901,100</b>	<b>3.9%</b>	<b>972,800</b>	<b>3,395,100</b>	<b>3,340,500</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ. M)	TRANSACTION TYPE
Grand Central Berlin	Berlin	Scout24 AG	14,100	Pre-Lease
Zebra	Frankfurt	Deloitte	15,800	Pre-Lease
Campus Niederrad	Frankfurt	Nintendo	14,900	Pre-Lease
SG Campus	Hamburg	Société Générale	18,300	Pre-Lease
Campus One	Munich	Wirecard AG	39,500	New Lease
Atlas	Munich	Deloitte	13,100	New Lease
KW 135	Dusseldorf	Spaces	5,000	New Lease

Source: Cushman & Wakefield

## Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE € MILLIONS
Trianon	Frankfurt	NorthStar Realty Europe/ IGIS JV Hana Financial Group	670
Eurotower	Frankfurt	Patrizia / Fubon Life	530
Oskar	Munich	NPS / Union Investment	390

Source: Cushman & Wakefield, Real Capital Analytics

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