

GERMANY

CITY SURVEY

OFFICE AND INVESTMENT
MARKETS – AN OVERVIEW

2020/2021



ACCELERATION INSTEAD OF STANDSTILL



Matthias Leube MRICS

CHIEF EXECUTIVE OFFICER
matthias.leube@colliers.com

At the last publication of our City Survey, no one could even guess at the challenges the economy and the real estate markets would face in 2020. Although the impact of the economic downturn and challenging global environment on the German leasing and investment markets were a topic of discussion a year ago, no one doubted that the unusually long, robust boom would continue. The prospect of ongoing, strong market performance now appears obsolete, however, in view of a pandemic that temporarily eclipses all previous risks of a downturn and is difficult to get a handle on because of its complexity. But is this actually the case?

At no time did activity on the German real estate market come to a full standstill. Following a brief orientation phase on the investment and leasing markets in Q2 2020, activity began to pick up in the second half of the year and again tangibly accelerated in Q4 despite a second lockdown in early November. This momentum is an impressive indication of the robust nature of the German real estate market and the capacity of market players to adapt to an environment that is new to all of us.

Digitalization, which has now also made a breakthrough in the real estate sector, has been acting as a pioneer in all of this and setting the pace for market activity. By making it possible to finalize deals and sign leases online in light of the contact restrictions in place, offering many employees the option to work from home and further spurring the e-commerce sector, digitalization has brought with it transformational changes to the office, retail, logistics and hotel sectors.

However, the Covid-19 crisis has also increased risk awareness and brought with it the tendency to place greater importance on the quality and future-resilience of an asset. Being able to identify and realize sustainable concepts that fit the demands of market players in that location, like Forum Steglitz featured on our cover page, is key to crisis-resilient investment.

I look forward to exploring these new opportunities with you.

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MARKET DATA

Office Leasing

	TOP 7	Berlin	Düsseldorf	Frankfurt	Hamburg	Cologne	Munich	Stuttgart
Stock of Office Space in million sqm	92.83	20.90	7.86	11.49	13.99	7.92	22.50	8.17
Office Space Take-up 2020 in sqm	2,555,100	734,000	248,000	329,500	334,300	202,000	567,800	139,500
Change year-on-year in %	-35.3	-28.7	-47.8	-40.1	-37.6	-26.5	-26.3	-55.3
Forecast for 2021	▲	▶	▲	▲	▲	▲	▶	▲
Office Space Take-up in sqm Average 2010–2019	3,457,000	750,580	344,500	505,300	525,000	296,600	762,600	272,500
Prime Rent in €/sqm		41.10	28.50	45.00	30.00	25.75	39.50	25.50
Forecast for 2021		▶	▶	▶	▶	▶	▼	▲
Average Rent in €/sqm		28.70	16.30	23.00	17.10	15.90	21.50	16.60
Forecast for 2021		▶	▶	▼	▶	▶	▶	▶
Vacant Office Space in sqm	3,269,900	354,000	436,500	810,200	413,300	219,300	787,900	248,700
Vacancy Rate in %	3.5	1.7	5.5	7.1	3.0	2.8	3.5	3.0
Change year-on-year in bp*	60	50	-40	20	50	60	130	110
Forecast for 2021	▲	▲	▲	▲	▲	▲	▲	▲

The data for Berlin, Düsseldorf, Hamburg and Cologne are related to the respective city area. The data for Frankfurt, Munich and Stuttgart are related to each of the respective markets on the whole.

* basis points

Investment

	Germany	TOP 7	Berlin	Düsseldorf	Frankfurt	Hamburg	Cologne	Munich	Stuttgart
Transaction Volume 2020 in million €	59,247	30,576	8,549	3,220	6,335	5,008	1,450	4,969	1,045
Change year-on-year in %	-17.3	-30.6	-29.8	-16.1	-19.2	16.7	-55.2	-54.4	-40.5
Forecast for 2021	▶	▶	▲	▼	▼	▼	▲	▲	▲
Transaction Volume in million € Average 2010–2019	43,599	24,702	5,658	2,127	5,220	3,473	1,501	5,459	1,264
Prime Yield Offices in %			2.80	3.20	3.00	3.00	3.30	2.70	3.10
Prime Yield High Street Retail in %			3.20	3.40	2.80	3.30	3.40	2.80	3.30
Prime Yield Logistics in %						3.70**			

** Refers to the defined logistics market areas

COMMERCIAL REAL ESTATE MARKET GERMANY

OFFICE LEASING⁶

INVESTMENT⁹

RETAIL INVESTMENT¹²

INDUSTRIAL AND

LOGISTICS INVESTMENT¹⁵

HOTEL INVESTMENT¹⁸

OFFICE LEASING

Take-up

The German office leasing market was hit hard by the Covid-19 pandemic. In early 2020, the global economic downturn mainly impacted manufacturing and export-oriented sectors. At the latest by spring, however, almost all sectors have found themselves in a recession. As expected, the office leasing market is being affected by the economic crisis as well. Expansion plans have been postponed or are simply not being implemented as the result of the pandemic. Roughly 2.6 million sqm in take-up was posted in Germany's 7 top office hubs in 2020, down roughly 35% compared to the previous year's exceptional results and around 25% below the ten-year average. Nevertheless, 2020 take-up results are still higher than they were during the 2009 financial crisis, in which only 2.3 million sqm of office space was taken up.

Following a slow start to the year, the German office leasing market hit its trough in Q3 with take-up at just under 600,000 sqm. Sentiment improved at year-end and Q4 2020 posted the year's highest quarterly take-up of 712,300 sqm.

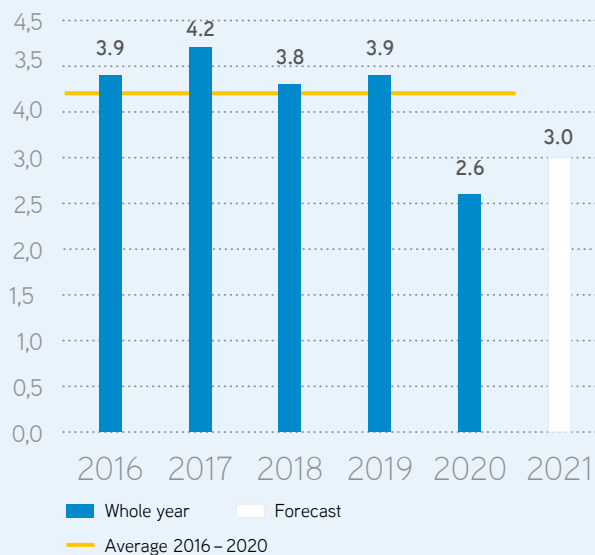
Activity proved livelier in Berlin than in Germany's other top 7 cities. The German capital recorded 734,000 sqm in take-up in 2020, only slightly below the ten-year average of 750,000 sqm. Annual take-up in the other cities came in 25% to 50% below the long-time average. Most locations only saw a handful of large-scale leases signed for over 10,000 sqm. Leases targeting over 5,000 sqm were also scarcer than in the previous year. Take-up of small and medium-scale units was not as heavily impacted by the pandemic with some locations posting relatively substantial results.

Fast Facts

Office Leasing TOP 7	2020	Change year-on-year
Office Space Take-up	2,555,100 sqm	-35.3%
Vacant Floor Space	3,269,900 sqm	22.9%
Vacancy Rate	3.5%	60 bp*
Office Space Stock	92.83 million sqm	0.2%

* basis points

FIGURE 1: Office Space Take-up in the TOP 7 in million sqm



CITY REPORTS

BERLIN²²
DÜSSELDORF²⁸
FRANKFURT³⁴
HAMBURG⁴⁰
COLOGNE⁴⁶
MUNICH⁵²
STUTTGART⁵⁸

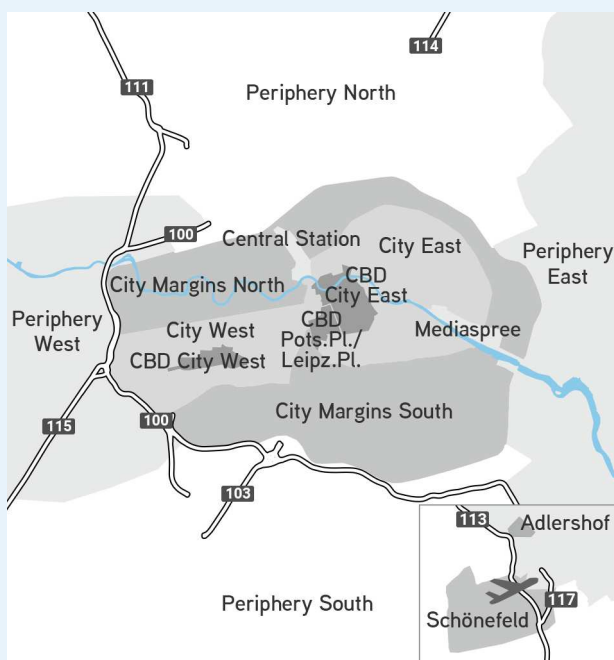


CITY FACTS BERLIN

Population in 1,000	3,669
Employees Paying Social Security Contributions in 1,000	1,539
Unemployment Rate in %	10.1
Per Capita Disposable Income in €	22,294

Fast Facts

Office Leasing Berlin	2020	Change year-on-year
Office Space Take-up	734,000 sqm	- 28.7%
Leasing Take-up	668,600 sqm	- 32.4%
Prime Rent	41.10 €/sqm	3.0%
Average Rent	28.70 €/sqm	9.1%
Vacancy Rate	1.7%	50 bp
Office Space Stock	20.90 million sqm	2.0%



Rents in €/sqm

Submarket	Range of Rents
CBD City West	20.75 - 42.50
CBD City East	20.00 - 39.80
CBD Potsdamer Platz/Leipziger Platz	20.85 - 38.00
Central Station	28.00 - 35.00
Mediaspree	24.00 - 36.15
City West	17.00 - 32.00
City East	18.45 - 42.30
City Margins North	19.40 - 38.25
City Margins South	18.00 - 34.00
Periphery North	13.50 - 27.50
Periphery West	21.00 - 28.50
Periphery South	14.00 - 30.00
Periphery East	14.45 - 26.00
Adlershof	15.00 - 20.00
Schönefeld	14.45 - 16.25

OFFICE LEASING

Take-up

The Berlin office leasing market posted around 734,000 sqm in take-up in 2020, a good result in line with the ten-year average of roughly 750,000 sqm despite the impact of the Covid-19 pandemic.

The final quarter of the year proved particularly robust with take-up coming in at 231,000 sqm. A number of large-scale leases signed for over 10,000 sqm played a significant role, accounting for more than 300,000 sqm in take-up.

Public administration was responsible for roughly 270,000 sqm in take-up, generating a market share of almost 40%. With this result, the public sector solidified its dominant position on the Berlin office market. Companies from the ICT, banking and finance sectors trailed in the ranks at some distance, each falling just shy of double-digit results.

Market activity once again revolved around the CBD City Ost and City Ost submarkets, which contributed around 253,000 sqm to total take-up. The largest lease of 2020, which was signed by insurer Deutsche Rentenversicherung for more than 84,000 sqm at the An den Treptowers property, was a major driver behind the above-average result posted in the Mediaspree submarket of 113,000 sqm. Neighboring locations are also attracting increasing demand due to the ongoing supply bottleneck in central locations. The City Periphery North and City Periphery South submarkets both benefited from current market conditions and also ranked high among the city's most popular office locations. Take-up in the City Periphery South submarket was particularly impacted by the lease signed by Deutsche Bahn for roughly 30,000 sqm at EUREF-Campus on Torgauer Straße.

FIGURE 1: Office Space Take-up in 1,000 sqm

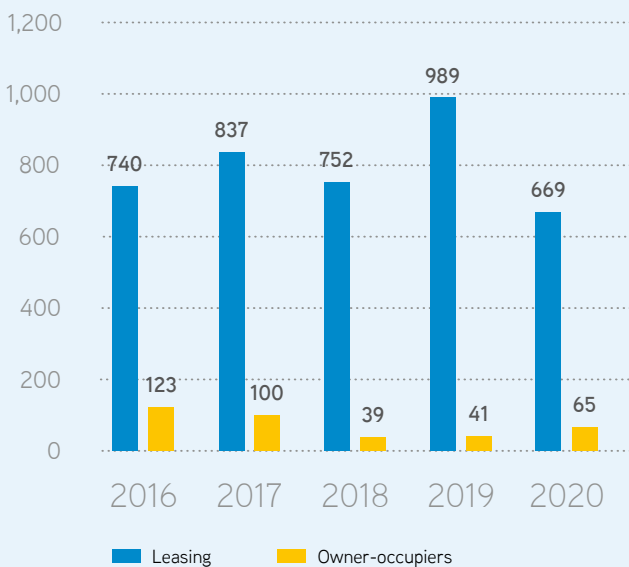


FIGURE 2: Completion Volume in 1,000 sqm

