

Key transportation
infrastructure to the
Palatinate: Hochstraße
Süd with pylon bridge in
Ludwigshafen





Source: Rhein-Neckar

Contents

Business Destination Rhine-Neckar Metropolitan Region	4
Focus Conversion Rhine-Neckar	6
Market Segment Office Space	10
Market Segment Retail Space	16
Market Segment Commercial Land Parcels	23
Map Overview of the Region	26
Glossary	28
Legal and Contact Information	29

The Print Media Academy and the X-House in Heidelberg: Numerous transportation options provide quick access



Market Segment Office Space

The development on the regional office space markets continues to be robust. In the coming years, experts expect that new impulses will be triggered primarily by the conversion of former military facilities. For numerous sites, concepts are currently being developed in intensive discourses with the public, which also include potential for commercial real estate development. Properties located on the periphery of the metropolises in particular offer the convenience of excellent connections to the interstate and federal highway network.

A closer examination of the situation in the three larger cities – Mannheim, Heidelberg and Ludwigshafen – does, however, reveal that not only the conversion of former military facilities, but also the restructuring of the urban areas overall, leads to untypical price disparities. The new use of the former customs port in Ludwigshafen or the development of the market in the vicinity of the former railway area in Mannheim as well as Heidelberg create large scale shifts in the office space market and its pricing structure. The classic downtown location is no longer the undisputed optimum site in cities. Vast new construction areas that are close to city center are gaining ground and are becoming benchmarks that influence the market. The architecture of the 1960s and 70s, which is

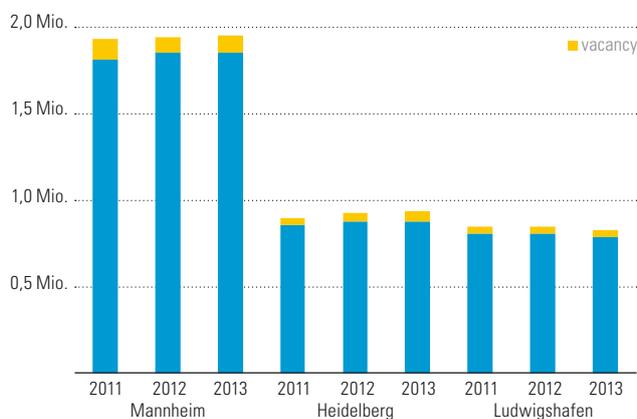
no longer considered contemporary and has to be viewed critically, especially under energetic aspects, also drives these dynamics.

The high percentage of owner use of office space is characteristic for the industry-driven Rhine-Neckar Region. Only about 60 percent of the total office space revenues generated by about 170,000 square meters were contributed by the rental market last year. This combination of demand-driven developments and economic strength ensures the stability of the region as an investment locale with only minor fluctuations.

What makes the market even more attractive are the developments in the environs of the large cities. In Weinheim, for instance, a new administrative building for the Freudenberg Group of Companies is currently under construction (13,000 square meters, see Photo on Page 12). In Walldorf, where the Metropol Office (4,000 square meters) is being built, space will also become available in the immediate vicinity of the metropolises.

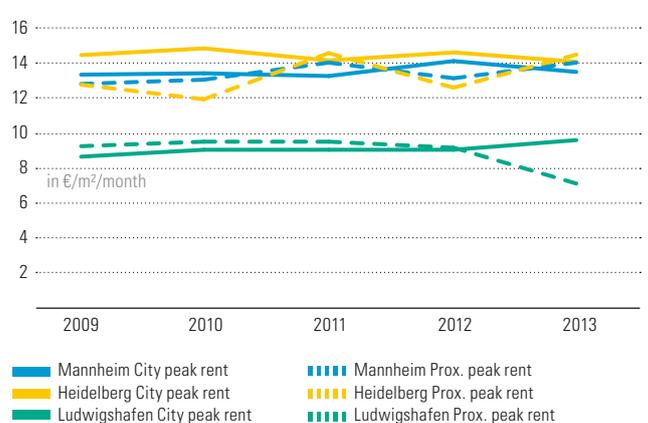
The region's vast space potential in the favorable overall economic situation – keyword "golden concrete" – give rise to expectations of sideline growth in the market.

Existing office space trend (in m²)



Source: gif / In-house research

Peak rent developments downtown and proximity



Source: gif / In-house research

Mannheim's new multi-functional quarter in squares Q6 Q7: The foundation stone was laid down in April 2014



Source: MRN GmbH

Market Segment Retail

The general economic conditions for retail remain positive. The solid job market and the low inflation rate both helped increase consumption. This is reflected in the GfK Consumer Spending Index, which reached its highest level, i.e. 8.9 points, since December 2006 in August 2014.

For brick and mortar retail stores the constant increase of online sales does pose a central challenge. Its dynamics continue to be very positive. According to the forecast of the Federal Association E-Commerce and Mail Order Sales, the merchandise revenues online in 2014 will increase by 25 percent to 48.8 billion Euro. Especially in merchandise segment books and entertainment electronics, changes are becoming evident as a result. The sales spaces of brick and mortar businesses in this segment are declining. At the same time, an increasing number of retailers are betting on multi-channel or cross-channel approaches. According to the latest HDE Economic Survey, about 44 percent of the retailers interviewed anticipate increasing sales for 2014.

According to the survey, another key topic among retailers besides online sales is the decline of the attractiveness of downtown areas. Both lead to dropping customer volumes in the streets where clusters of retailers can be found.

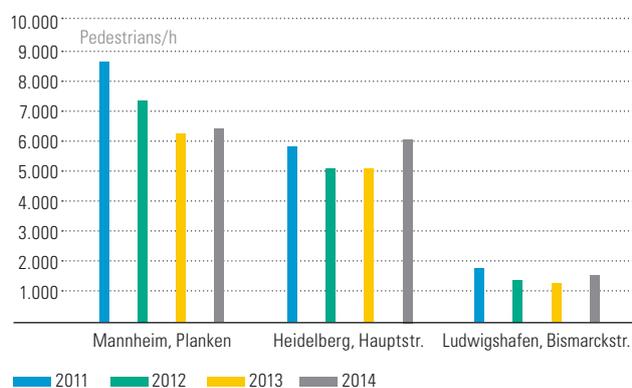
This trend has also been evident in the large cities in the Rhine-Neckar Region in recent years; however, in 2014, the number of pedestrians in 1a locations in Mannheim, Heidelberg and Ludwigshafen has once gain been on the upswing.

The Rhein-Neckar business region distinguishes itself from others thanks to the fact that its largest and medium sized towns offer a very diverse range of retail stores. Besides the three metropolises – Mannheim, Heidelberg and Ludwigshafen – it is primarily the smaller medium-sized towns, including Schwetzingen, Viernheim, Hockenheim, Mosbach and Landau that boast centrality indices that are higher than 150. The current and planned developments will continue to strengthen and expand the retail store offerings in the smaller towns.

Sports products retailer Decathlon opened a third branch in Rhineland-Palatinate at the end of 2013 in Neustadt an der Weinstraße. It boasts 2,500 square meters of floor space. As a result, the diverse range of products already available through the specialty retailers cluster “Chemnitzer Straße” received yet another upgrade.

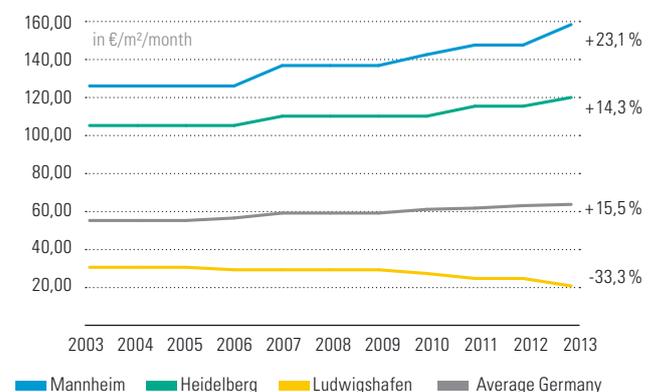
In the aftermath of the Praktiker DIY store bankruptcy, the property in Frankenthal was acquired by DIY chain Toom.

Pedestrian volumes in 1a locations



Source: In-house research MRN based on data by Jones Lang LaSalle

Retail property peak rent development



Source: In-house research MRN based on data by Jones Lang LaSalle