



## CONTENTS

<b>Market Overview and Key Ratios</b>	<b>3</b>
<b>Index Performance</b>	<b>10</b>
– Benchmark Comparison	
– Asset Age Groups in Overview	
– City Trends	
<b>Focal City Dresden</b>	<b>20</b>
<b>Interview with Ferdinand Ruchay of Dresden's Business Development Agency</b>	<b>22</b>
<b>Methodology</b>	<b>26</b>
<b>About empirica and CORPUS SIREO</b>	<b>28</b>
<b>Contact</b>	<b>32</b>

# INVESTMENT VOLUME ON GERMANY'S OFFICE PROPERTY MARKET AT A PEAK LEVEL

Dear Reader,

The prior year 2014 once again demonstrated the great appeal of Germany's commercial real estate markets. With a commercial transaction volume of approximately €40 billion, it substantially exceeded the 2013 year-end total. Demand continued to focus on office real estate, as it accounted for nearly 50% of the deal volume. Meanwhile, international investors have played an increasingly important role, rivalling domestic ones. By the end of the year, international investors claimed approximately 50% of the transaction total, which is the highest ratio in seven years, whilst their participation in tender processes showed an even higher percentage.

As a result of the sustained investment focus on Germany and of the rising investment pressure amongst many institutional investors, the investment spectrum has noticeably widened. In addition to investments in what are commonly defined as being to be prime assets in excellent locations of German metropolises, the focus has shifted to include regional cities as well as properties with structural and tenancy-related "optimisation potential." The expansion of the investment horizon has raised the status of stable regional cities like Dresden whose building stock includes attractive assets with development potential in addition to the existing core properties. Unlike the fiercely contested investment markets of the metro regions, where competition is likely to intensify long-term into 2015, the key regional cities continue to offer attractive entry-level prices and sustainably sound yield prospects.

We trust you enjoy the publication!

Roy Brümmer, Franz Krewel and Douglas Edwards

# RISING OFFICE EMPLOYMENT WITHIN REGIONAL OFFICE MARKETS

**Sound economic fundamentals translate into great development opportunities for key regional cities**

Within the framework of a broad-based economy, the 14 cities covered by the GERMANY 21 index are characterised by growing office employment and stable demand for office accommodation. The locations included in the index were selected by applying the following criteria:

- absolute size of the office market
- significance of office employment for the region's macro-economy
- excellent historic and auspicious future demand trends

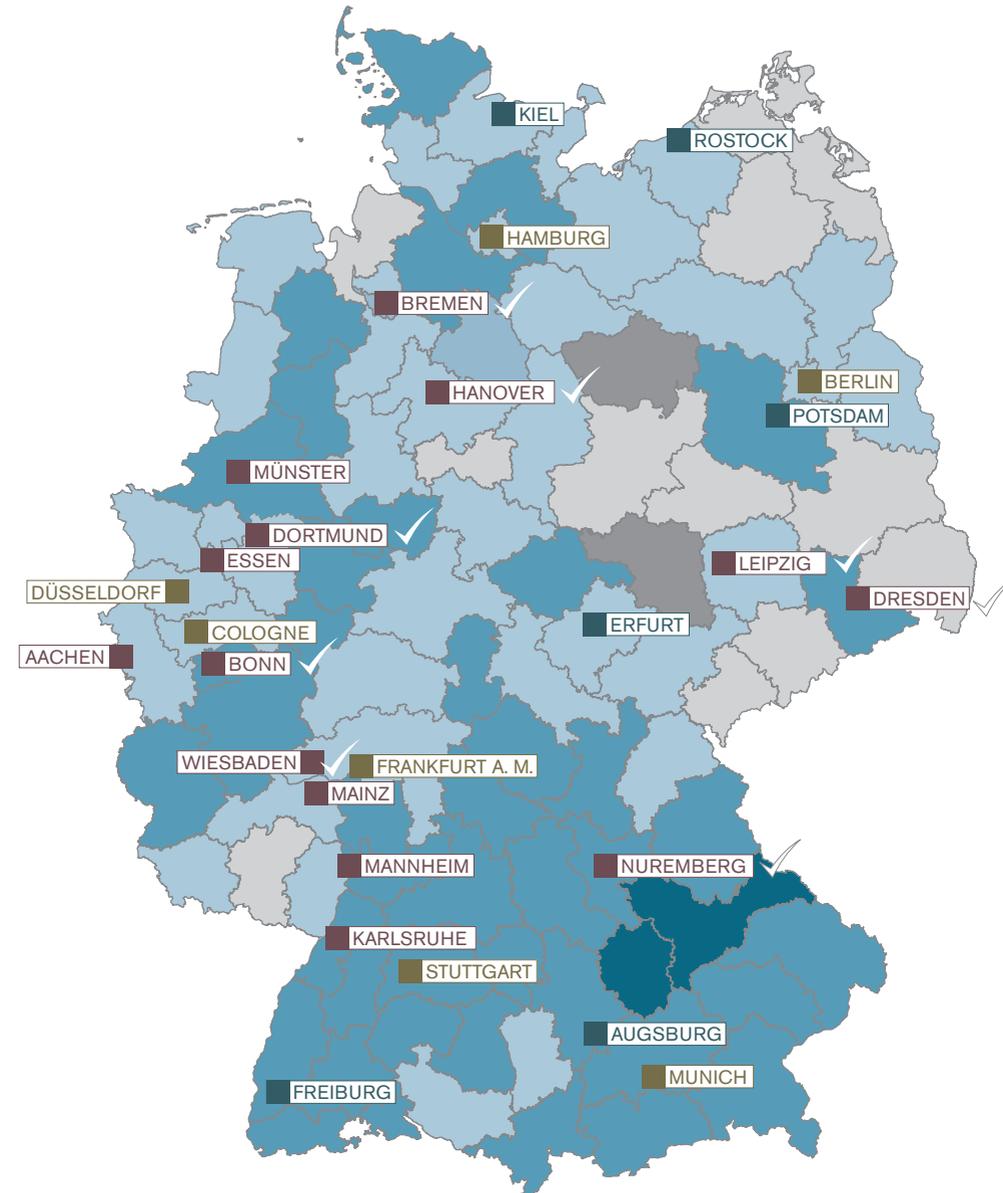
In addition to these key regional markets, there are other office locations with a positive growth dynamic, especially in southern Germany, that were excluded from this index because of their comparatively small size. Here as elsewhere, CORPUS SIREO offers profound market knowledge and vast regional expertise.

## Changes in office jobs 2007 - 2025 in %



## CHANGES IN OFFICE JOBS 2007 – 2025, IN PERCENT

Brisk growth in southern Germany



Previous reports are available as free downloads at:  
[www.corpussireo.com/downloads](http://www.corpussireo.com/downloads)

# RENTAL UPLIFT IN DRESDEN AND MÜNSTER

## Rent increases in Dresden and Münster during Q4 2014

Asking rents in the focal city of Dresden and in Münster in North Rhine-Westphalia increased toward the end of the year after a stable trend during the preceding quarters. With a rent average of €7.10/sqm, Dresden is the second-most affordable key regional city, whilst the low rent volatility highlights the city's stability. Increases during Q4 2014 coincided with rental growth in the high-end segment, and contrasted with softening price quotes for low-end properties. A similar trend was observed in Münster. However, the prime rent flatlined on a level of €13.50/sqm because of the city's relatively ample supply of new-build property.

## Lateral trend in Hanover, Essen, Aachen, Mainz and Nuremberg

Stable rents during the second half of 2014 also characterised the markets in the five key regional cities of Hanover, Essen,

Aachen, Mainz, and Nuremberg. Yet while the average rates remained stable, a breakdown by property quality reveals diverging trends in the various segments. For example, Mainz registered a marginal hardening in the low- and mid-price segments, whereas rents for prime property softened slightly. Accordingly, the city's prime rents barely moved as the year progressed, and are currently at €12.60/sqm. Essen, a city in the Ruhr area characterised by high building activity and a comparatively high take-up among the key regional cities, reported subdued rental uplift during the second half of 2014 after a long cycle of above-average rental growth that began in early 2008.

## Bremen and Bonn show softening asking rents

Despite seeing a rental decline during the second half of 2014, Bonn maintained an average asking rent of €9.40/sqm in Q4 and thus remained in the group of high-priced office locations among the key



regional cities. As the take-up in Bonn started to decline in summer of 2014, the drop in average rents was mainly caused by the falling rents in the low- and mid-price segments. The rental decline in the affordable city of Bremen (average rent: €7.60/sqm)

is explained particularly by the declining rent level for properties of slightly sub-average quality. However, rents in Bremen's high-end market segment increased.

# MUNICH REPORTS HIGHEST RENT AVERAGE, WHILST FRANKFURT MAINTAINS LEAD IN TERMS OF PRIME RENTS

## Rent average in Munich soars in the second half of 2014

With a mean rate of €16.00/sqm, the Bavarian state capital was by far the priciest office location among the “Big Seven” cities by the end of 2014, well ahead of Frankfurt (€15.10/sqm). The 4% growth Munich registered since Q2 2014 (compared to +1.3% in Frankfurt) was primarily driven by rent increases in the high-priced market segment. This made it safe to say: the higher the quality of a given asset, the stronger the rental growth. Conversely, rent levels stagnated for properties of sub-average quality, and actually declined for properties of the lowest quality standard. At the moment, the prime rent in Munich equals €33.50/sqm, closing in on Frankfurt (€35.00/sqm).

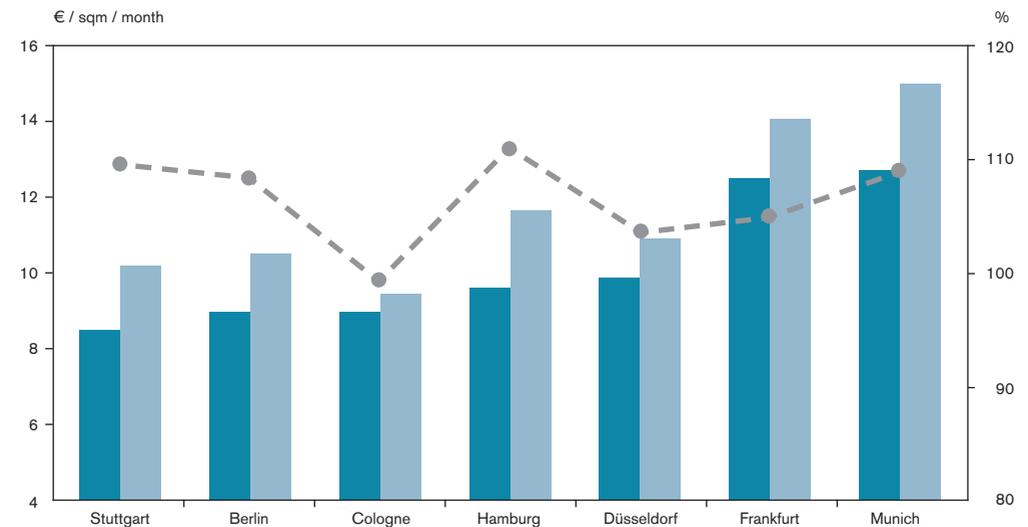
## Dynamic rental trend in Hamburg

Hamburg ended 2014 with a formidable take-up after asking rents increased noticeably during the second half of the year (+3%). In terms of rental growth, the city was outperformed only by Munich. At the same time, Hamburg also boasted the strongest long-term growth amongst the “Big Seven” cities: Between early 2008 and year-end 2014, the average rent in Hamburg rose by 19.1%, reaching €12.70/sqm in Q4 2014.

## Cologne falling behind

Cologne remains the most affordable office market among the “Big Seven” cities. In fact, the rental average in Cologne softened slightly during the second half of 2014. This is explained, on the one hand, by a relatively low letting take-up, and on the other hand by the statistical effect of a decreased proportion of new-build property.

## ABSOLUTE RENT RATES\* (Q1/2008 - Q4/2014) Steepest long-term price gains reported from Hamburg



\*Arithmetic mean

■ Q1/2008  
 ■ Q4/2014  
 ● Increase  
 (Q1/2008 through Q4/2014)

Munich ↗ Cologne ↗  
 Frankfurt → Hamburg ↗  
 Berlin ↗ Düsseldorf ↘  
 Stuttgart →