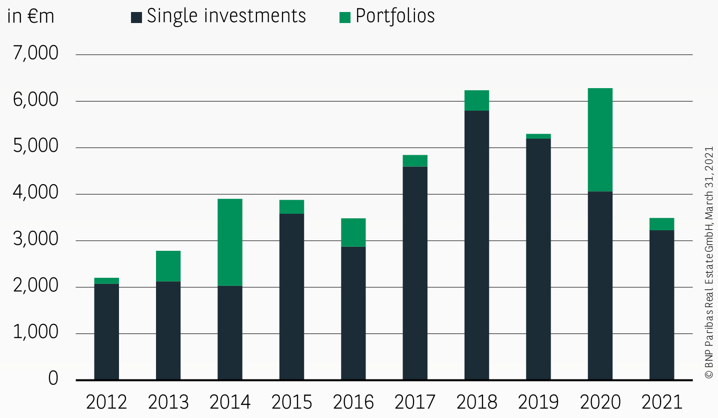
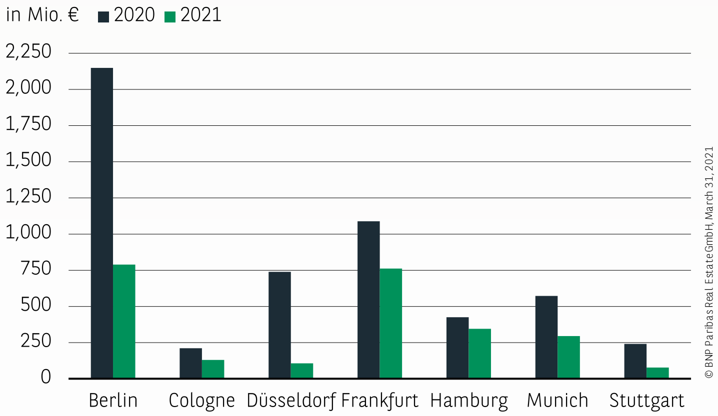
At a Glance Q1 2021

OFFICE INVESTMENT MARKET GERMANY

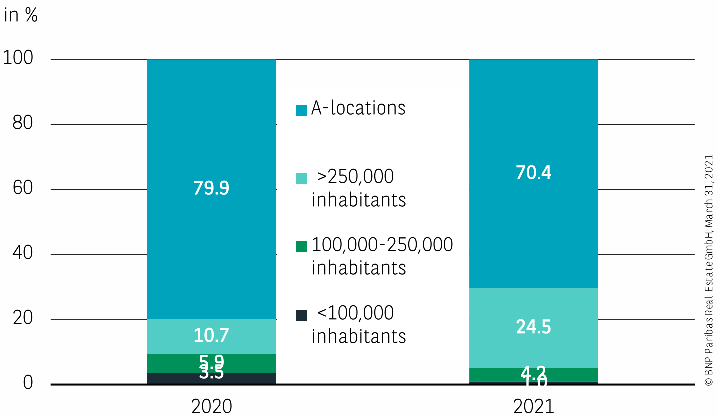
Office investments in Germany Q1



Office investments in the A-locations Q1



Office investments by city size Q1



OFFICE INVESTMENTS WITH SOLID START TO THE YEAR

Although the current environment for office investments remains challenging due to the ongoing corona pandemic, a solid transaction volume was achieved at the start of the year. Around €3.49 billion was invested in office properties nationwide. The result shows that market participants have a high level of confidence in German office locations despite the ongoing discussion about the expected development of home office shares. One of the reasons for this is that office space demand has picked up noticeably again. In a comparison of asset classes, office properties therefore continue to be very popular with investors and once again account for the largest share of commercial investment volume, at around 34%, well ahead of logistics (20%) and retail (15%). The fact that the exceptionally good result of the previous year was missed by around 44% is largely due to the significantly lower portfolio investment volume (only 8%), which in Q1 2020 was heavily influenced by the takeover of TLG by Aroundtown. Lately, single deals dominated the market with a share of just under 92%. A total of seven sales of individual properties have already been recorded in the triple-digit million range.

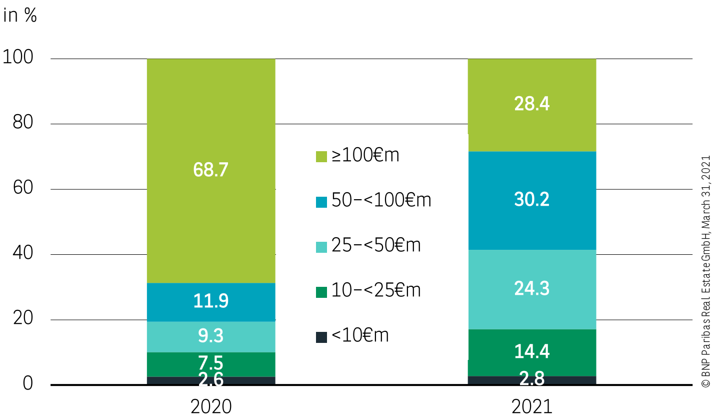
BERLIN AND FRANKFURT LEAD THE FIELD

Despite a significant decline compared to the same quarter of the previous year, the capital city was able to take the lead among German locations with a volume of €790 million, closely followed by Frankfurt with around €762 million. The Hanseatic city of Hamburg shows the smallest decline compared with the previous year, even moving ahead of Munich (€295 million) with €345 million invested. So far, market activity has been rather subdued in Cologne (€130 million), Düsseldorf (€106 million) and Stuttgart (€77 million), mainly due to the lack of investment opportunities.

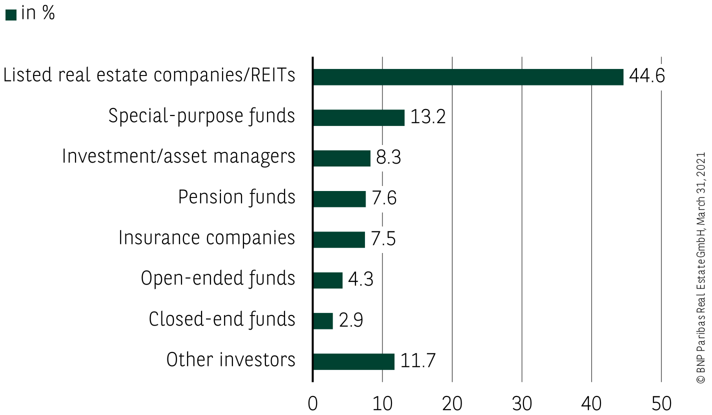
B-LOCATIONS WITH GOOD RESULTS

The analysis by city category without including portfolio sales shows that, as usual, the focus of investors in Q1 2021 was clearly on A locations, which again account for the lion's share with a good 70%. However, B locations have continued their positive development from last year. With an office investment volume of €790 million and a market share of 24.5%, the B locations have significantly gained in importance compared with the same quarter last year. This once again underlines the confidence of buyers in these markets, which are seen as offering very good development opportunities, particularly after the Corona crisis.

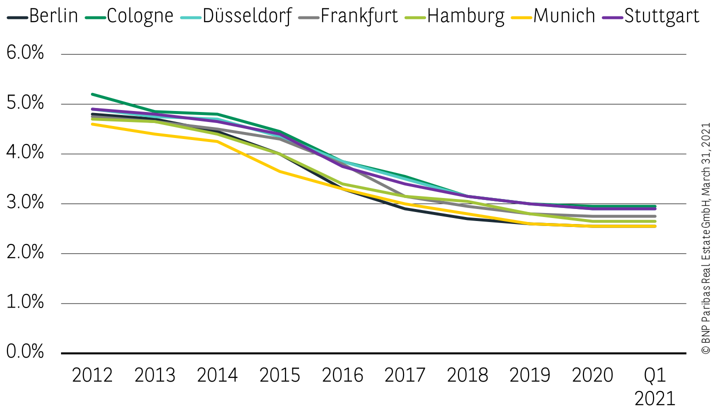
Office investments by € category Q1



Office investments by buyer group Q1



Development of office net prime yields



BROAD DIVERSIFICATION ACROSS ALL SEGMENTS

In contrast to the previous year, when the TLG takeover was still the dominant factor, the analysis of office investment volume by size category shows broad diversification across all market segments. Accordingly, large deals in the triple-digit million range are also less dominant than usual in previous years, with a turnover share of only 28%. However, this is not due to a lack of investor interest, but rather to insufficient supply. By contrast, the segment between €50 million and €100 million is strong, accounting for the largest share (30%) with a volume of just over €1 billion.

LISTED REAL ESTATE FUNDS/REITS DOMINANT

In general, there is a high level of interest in office properties across all buyer groups. In the first quarter of 2021, listed real estate companies/REITs were particularly successful on the market and, with a volume of around €1.6 billion, generated around 45% of the transaction volume. In second place came special-purpose funds (13%), which were also heavily involved in market activity last year. Investment/asset managers were somewhat more restrained with a good 8%. At the same time, the fact that core investors with a high level of equity capital continue to invest in German office properties is reflected in the contributions to investment turnover made by pension funds (8%) and insurance companies (7.5%).

PRIME YIELDS REMAIN AT A LOW LEVEL

While yields decreased again slightly by 5 to 15 basis points in 2020, they held firm across all locations in the first three months of the year. The net prime yield for offices in Berlin and Munich thus remained at 2.55% in the first quarter. Hamburg's prime yield (2.65%) is still below the Frankfurt level (2.75%). A higher yield level is recorded for Düsseldorf and Stuttgart (both 2.90%) and Cologne (2.95%).

OUTLOOK

Despite the uncertainties in the lee of the pandemic, demand for office properties can be expected to remain high, partly due to the fiscal policy environment and the renewed increase in activity on tenant markets. This applies in particular to the core segment. However, the insufficient product supply could become a decisive limiting factor for a significant increase in the investment volume. Against the backdrop of unchanged high demand, a further slight yield compression cannot be ruled out in the further course of the year.

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