

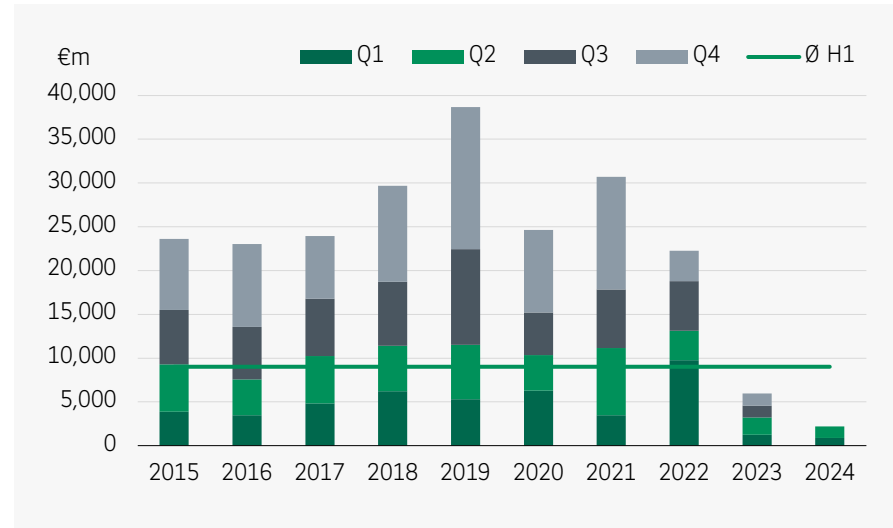
GERMANY

REPORT

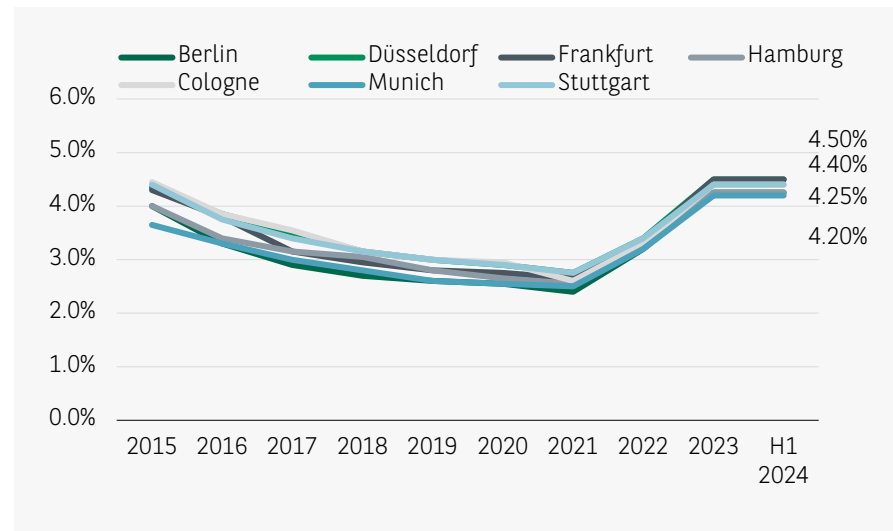
OFFICE INVESTMENT MARKET

H1 2024

Development of office investment volume



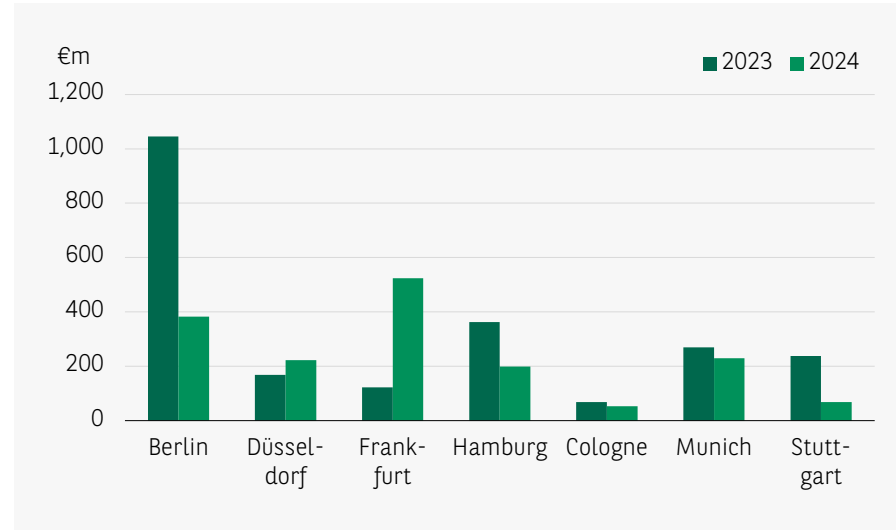
Office net prime yields in A-locations



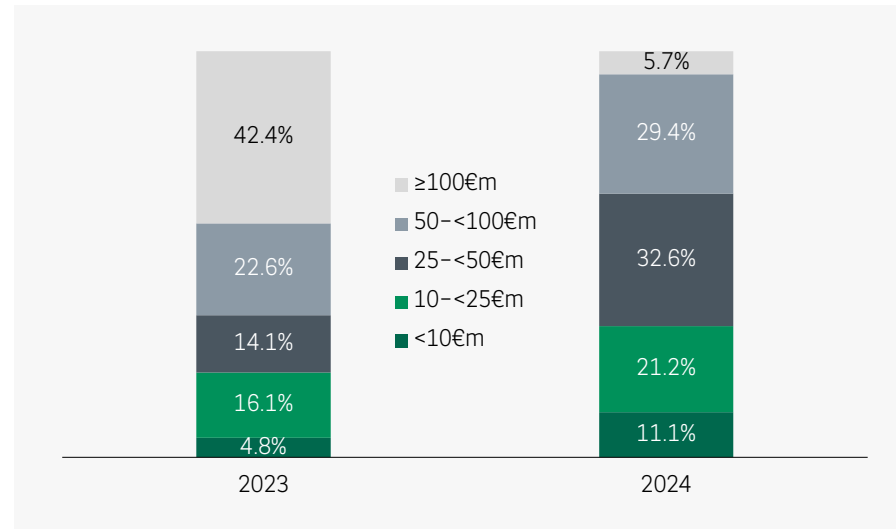
OFFICE INVESTMENT VOLUME DECREASED ANEW: INVESTORS REMAIN CAUTIOUS

- In the first half of 2024, a good €2.2 billion was invested in office properties in Germany. Compared to the previous year, this represents a further decline of 31%, which is also the weakest result in the last 15 years. The 10-year average was missed by around 75%.
- In contrast to most other asset classes, there is still no discernible upward trend in transaction volumes for office buildings. As a result, their share of total commercial real estate volumes has fallen further and currently stands at just 18%. This implies that office properties now only occupy third place in the asset class ranking.
- The share of portfolio transactions amounts to almost 10 %, around five percentage points below the long-term average.
- The persistently difficult situation is attributable on the one hand to the weak occupier markets, primarily due to the slow economic recovery, which is contributing to uncertainty about the further development of the office markets. On the other hand, many investors are also adopting a cautious stance with regard to the final price trend.
- As expected, the stabilization of prime yields that began in the first quarter has continued. Thus, no changes were observed. In the A locations, they remain unchanged at an average of 4.36%. Munich remains the most expensive location with a prime yield of 4.20%, followed by Berlin and Hamburg with 4.25% each.

Office investments in A-locations H1



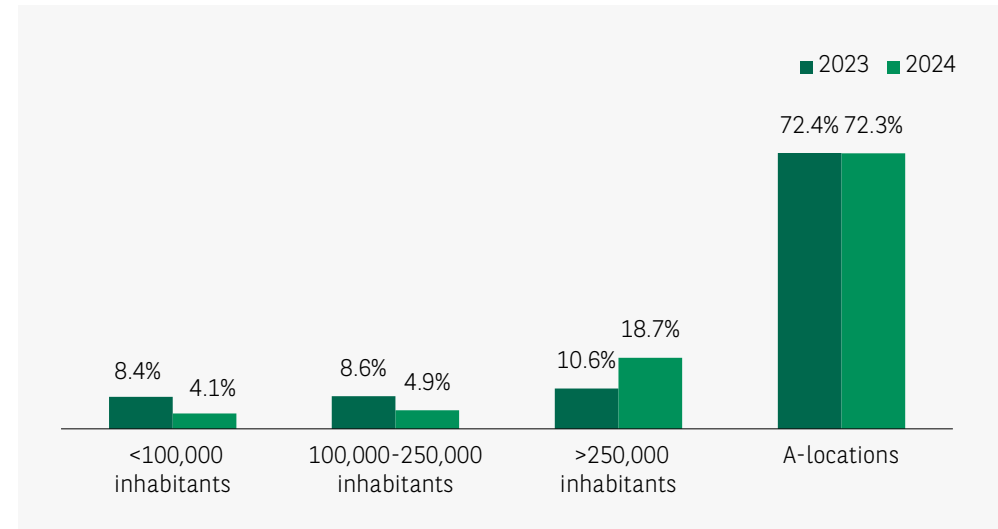
Office investments by € category H1



VERY FEW LARGE DEALS

- The decline in the investment volume is exclusively due to the lack of major deals. The share of properties in the three-digit million range is currently just under 6%, compared to 42% in the previous year. In contrast, smaller sales of up to €50 million not only increased their share from 35% to 65%, but also recorded a 27% higher volume in absolute terms.
- Approximately a quarter less was invested in the A locations than in the previous year, which is unsurprising given the lack of major deals. The highest volume was invested in Frankfurt with €524 million, followed by Berlin with €383 million. Hamburg, Düsseldorf and Munich were at a similar level of investment with just under €200m to €230m each. In a nationwide comparison, the A-locations remain the most important markets for office investments despite the declining transaction volume and contribute a good three quarters of the nationwide turnover with office properties.

Office investments by city size H1*



*excl. portfolios

OUTLOOK

- The outlook for the office investment market continues to be characterized by a certain degree of uncertainty on the part of investors. The development of occupier markets in particular is still difficult to assess. Against this backdrop, there is much to suggest that office investments (unlike the other asset classes) are unlikely to experience a noticeable upward trend in the second half of 2024.
- Nevertheless, there are a number of positive signs that should also boost investment activity on the office markets, albeit with a slight time lag. These include anticipated interest rate cuts and the sustained fall in inflation, which is steadily approaching the target corridor of around 2%. At the same time, a noticeable improvement in sentiment can be observed on the investment markets. Investors are becoming increasingly confident in both the current and future market environment.
- Furthermore, from today's perspective, many factors suggest that a rise in supply respectively investment product can be expected over the remainder of the year, as sellers are increasingly accepting the new price levels and owners are also having to sell due to financing constraints.
- However, it is important to note that office investments are cyclical. A significant increase in the investment volume, which is approaching the long-term average again, is only to be expected when the prospect of stronger economic growth returns to stimulate the user markets and interest rates continue to trend downwards.

Key facts office investment market Germany

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	3,226	2,216	-31.3%
Portfolio share	1.3%	9.8%	+8.5%pts
Share above €100 million	42.4%	5.7%	-36.7%pts
Share of A-cities	70.6%	75.9%	+5.3%pts
Share of foreign investors	18.8%	9.3%	-9.4%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Berlin	3.75%	4.25%	+50bps
Düsseldorf	4.00%	4.50%	+50bps
Frankfurt	4.00%	4.50%	+50bps
Hamburg	3.90%	4.25%	+35bps
Cologne	3.95%	4.40%	+45bps
Munich	3.70%	4.20%	+50bps
Stuttgart	3.90%	4.40%	+50bps

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