



## Facts and Figures

Office Investment and Office Lettings Market  
Germany 2020

**CUBION**

**IMMORAUM**  
REAL ESTATE ADVISORS



LARBIG & MORTAG

**NAI**apollo

OBJEKTA  
— REAL ESTATE SOLUTIONS —

STRATEGPRO  
REAL ESTATE







### One partner – all services – all asset categories

Learn more about the varied opportunities offered to you by the NAI apollo group and its owner-managed partner companies across Germany. Contact us at any time for a personal discussion about the additional benefits our network can provide. We look forward to hearing from you! We are represented across Germany with offices in Frankfurt am Main, Hamburg, Munich, Dusseldorf, Cologne/Bonn, Stuttgart, in the Ruhr area, Mannheim and Ulm. As a partner of NAI Global, we offer our customers access to more than 7,000 real estate specialists in 400 partner offices worldwide.

### Strong partnership – throughout Germany

NAI apollo group is the leading network of independent real estate consultancies in Germany. For more than 30 years our active partners have been successfully advising national and international companies. The service range of our group encompasses sales, lettings, construction management, valuation, research, corporate finance, healthcare, investment management and property and asset management.

### NAI apollo group – your partner for Germany

Hamburg – NAI apollo

Munich – NAI apollo

Frankfurt am Main – NAI apollo

Dusseldorf – imovo

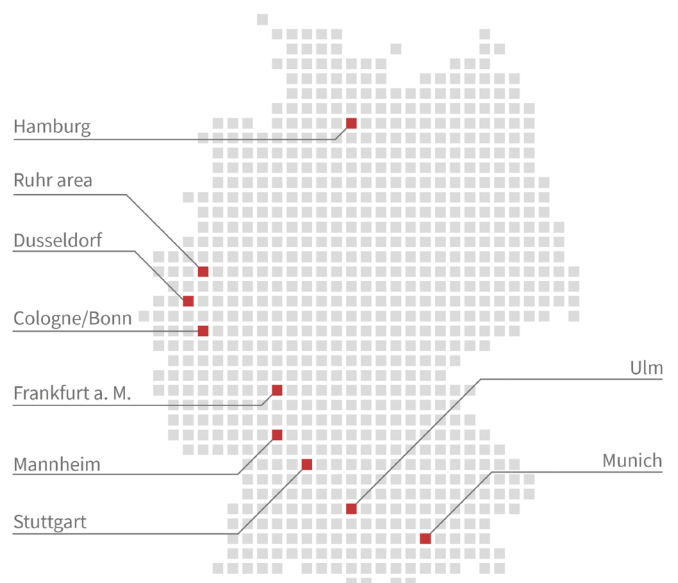
Stuttgart – IMMORAUM Real Estate Advisors

Cologne/Bonn – Larbig & Mortag Immobilien

Ulm – Objekta Real Estate Solutions

Ruhr Area – CUBION Immobilien

Mannheim – STRATEGPRO Real Estate



## NAI APOLLO GROUP – WHO WE ARE

### apollo real estate GmbH & Co. KG

For more than 30 years we have been firmly established on the Frankfurt, Hamburg and Munich markets as an owner-managed and independent real estate service provider with a high-performance team. The highest standards of professional ethics are part and parcel of our everyday business, which is always oriented towards the customer and not controlled by cash flow. We are your professional partner for all real estate matters, from purchasing, letting, restructuring and expansion through to management, valuation and sales. Together with our NAI partners we have established excellent networks in all economically strong locations throughout Germany.

Our team covers the entire spectrum of services relating to real estate matters. NAI apollo operates across Germany as part of the NAI apollo group and also functions as the central location of this high-performance network. NAI apollo, which was founded in 1988 and is run today by its owners, has access to over 7,000 real estate specialists worldwide through its role as the exclusive partner of NAI Global in Germany.

### CUBION Immobilien AG

For over 15 years, we have been offering the traditional range of services in the field of business real estate. Our office letting performance consistently amounts to between 60,000 sqm and 80,000 sqm of office space, and we have become an industry benchmark for this segment as a result. On the sales side, we have established confidential working relationships with (very) wealthy private investors as well as with domestic and foreign investors. Our transaction volume is in the three-digit-million range, and most of our transactions are not publicly announced. We think like entrepreneurs, act ethically and provide robust statements. Our team consists of young performers and industry veterans, which is evidently the right mix for our continued success.

### imovo GmbH

“We don’t want to do everything differently, just better.” imovo was founded based on this philosophy. In contrast to brokerage companies that are driven by sales in terms of how they work, think and act, our approach is to work on a solutions-oriented basis. When you choose imovo, you gain the support of a strong team that acts as adviser and problem solver on equal terms. You benefit from both our way of working as well as our experience. Our many years of activity on the property market ensure that we are a competent and reliable transaction consultant in the fields of office and showroom letting, investment as well as residential and private real estate. In addition to all of the above, we offer extensive market research services.

### IMMORAUM GmbH Real Estate Advisors

Immoraum GmbH Real Estate Advisors was founded in 2012 and has developed into a leading service provider on the commercial real estate market in Stuttgart. The philosophy of the four founders was to create a real estate consulting company with its own personality and the “extra” of service. Above-average commitment to each individual and his needs prompts our clients to enter into close business partnerships with us. We provide tailor-made solutions for the buying and selling process. Regardless of whether it is a question of market-oriented analyses, excellent preparation of documents, transparent or active approach to potential investors. Our highly qualified and motivated employees work in a team and draw on a wealth of experience and property-specific knowledge. Combined with local expertise, we offer high quality advice and meet the highest standards in both sales and letting.

## Larbig & Mortag Immobilien GmbH

Our real estate consultancy work covers the entire value chain of a commercial property in the office lettings segment, commercial investment and retail lettings in secondary locations. Our services extend from market analysis and property valuation through to marketing concepts for existing buildings and new building projects (lettings and sales). Since 2008, our customers have been able to rely on our strengths including market penetration, innovative and targeted consulting, and long-term, personal support. Our structure as an owner-managed consultancy firm ensures that we are able to act locally and independently, and we are now one of the leading real estate consultancies in the Cologne/Bonn region. We have built up a broad knowledge base through the negotiation of over 1,300 lease contracts, and are more than happy to share this knowledge with our customers.

## OBJEKTA Real Estate Solutions GmbH

We are one of the leading real estate service providers in the Stuttgart – Ulm – Augsburg and Lake Constance region with a registered office in Ulm and other branches in Stuttgart / Filder und Göppingen. Our philosophy: individual and performance-based strategies and concepts for owners, investors and users. Our highly qualified and multilingual team offers a mix of experience, market knowledge, creativity and innovative thinking and provides consultancy services in the areas of marketing, the development of building strategies, the optimisation of income, investment and property management.

## STRATEGPRO Real Estate Solutions GmbH

We are an owner-managed company specialising in real estate consultancy and brokerage in the Rhine-Neckar metropolitan region. Our focus is on the marketing of commercial property. Our many years of experience on the Mannheim, Heidelberg and Ludwigshafen sub-markets have given us a deep knowledge of the market and a strong network of partners. With our assistance you gain a transparent overview of the market - one of the basic requirements for a correct and successful property strategy. We take a holistic approach to property, putting the focus on you and the agreed strategy. We firmly believe in the statement that “only when the customer succeeds will we also succeed.”

# WELCOME

Dear friends and business partners of the NAI apollo group, ladies and gentlemen,

We could not put it any other way: 2019 was a challenging year for our customers as well as for our group. There are many reasons for this, some of which we would like to explain in more detail here.

The past year was the most successful year ever on the German commercial property investment market. The transaction volume reached a new all-time high of €66.7bn, exceeding the record figure achieved in the previous year by almost 10 %. What's more, the ten-year average was surpassed by as much as 55 %.

As usual, the driving force behind this new record result was the office property sector, which reached new heights with a transaction volume of €39.4bn. The strong demand was also evident in the office lettings market. However, the shortage of space now seen in numerous locations in Germany proved to be a limiting factor. As a result, the availability of space continues to decrease in most markets, and rents keep on rising.

However, it was not all good news in 2019. For example, the German economy lost momentum for the first time in several years in response to the more volatile geopolitical environment caused by international trade disputes and tough EU exit negotiations, among other factors. And domestic German politics have further complicated the regulatory conditions in the real estate and financial sectors. In Berlin, for example, there have been and continue to be discussions about rental caps and expropriations – topics that those of us based outside the German capital also have to take seriously, unfortunately.

Yet even under such conditions, we at NAI apollo group have been able to maintain growth. We brokered around 500,000 sqm of space for the first time, which represents an increase of 8.2 %



over the previous year. Our transactions volume increased by an even stronger rate of 10.6 %. Here, we supported purchases and sales totalling around €1.23bn in 2019.

This success would not have been possible without our around 200 colleagues in the NAI apollo group. We would therefore like to take this opportunity to warmly thank all of our employees. These incredible teams, in combination with the entrepreneurial spirit and profound market knowledge of the NAI apollo group, will continue to act as a guarantee of success for us and our customers in 2020. Stronger than before, we are heading into a year that will certainly be a challenge for all players on the German property markets. And the NAI apollo group will always be at your side to advise you on these challenges.

We hope you enjoy reading the report.

Andreas Wende FRICS  
Managing Partner  
apollo real estate GmbH & Co. KG

Dr. Marcel Crommen  
Managing Partner  
apollo real estate GmbH & Co. KG

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## FACTS & FIGURES

	Berlin	Hamburg	Munich	Frankfurt	Stuttgart	Dusseldorf	Cologne	Bonn	Ulm	Dortmund	Essen	Mannheim	Heidelberg
Population (31.12.2018)	3,644,826	1,841,179	1,471,508	753,056	634,830	619,294	1,085,664	327,258	126,329	587,010	583,109	309,370	160,355
Change Y-o-Y (in %)	+0.9%	+0.6%	+1.1%	+0.8%	+0.3%	+0.3%	+0.5%	+0.5%	+0.6%	+0.1%	0.0%	+0.4%	-0.2%
Purchasing Power Index (Ø Germany = 100) (2019)	91.2	109.7	134.3	113.9	113.2	117.1	105.4	110.5	110.7	91.5	96.4	99.6	97.9
Change Y-o-Y (in Points)	-0.3	-0.1	-0.5	-0.3	+0.7	-0.6	-1.1	-0.3	+1.0	-0.2	-0.8	+1.0	+0.4
Unemployment Rate (01/2020)	8.2	6.4	3.8	5.4	4.4	6.9	8.0	6.5	3.6	10.6	10.2	6.2	4.4
Change Y-o-Y (in %-Points)	+0.1	+0.1	0.0	+0.2	+0.3	+0.1	+0.2	+0.1	+0.2	+0.3	-0.4	+1.2	+0.5
Employees subject to Social Insurance Contributions (06/2019)	1,527,912	996,031	897,140	602,428	426,014	424,470	582,613	180,528	95,855	246,603	250,602	191,615	91,782
Change Y-o-Y (in %)	+3.5%	+2.2%	+2.6%	+3.1%	+2.2%	+1.2%	+2.5%	+2.2%	+1.3%	+2.9%	+1.8%	+0.9%	-1.6%

Source: Federal Employment Office, GfK GeoMarketing GmbH, State Statistical Offices, NAI apollo group

## Economy & Population

The German economy lost some of its momentum in 2019 and was not entirely unaffected by geopolitical issues such as the trade disputes between the United States and China or Brexit, which has now taken place. Nevertheless, the German economy still recorded growth for the tenth year in succession, with an increase in the price-adjusted gross domestic product of 0.6 %. This means that Germany is experiencing the longest growth phase since reunification. Economic growth was supported by higher consumer spending both by private individuals and the government, with respective contributions of 1.6 % and 2.5 % to the overall growth. In addition, the construction and service sectors were characterised by strong growth.

Current forecasts by leading economic research institutes assume slight growth in Germany's economic performance over the next two years. Growth estimates for the gross domestic product

range between 0.9 % and 1.4 % for 2020 and between 1.4 % and 1.6 % for 2021.

Despite the more moderate economic development compared to previous years, key employment figures remain positive. As of December 2019, employment in Germany reached 45.44 million people – 273,000 people or 0.6 % higher compared to the same month of the previous year. The increase was largely due to the 1.4 % rise in employees subject to social security contributions. In November 2019, the corresponding figure was 33.99 million, 482,000 more than in the previous year.

Although notified vacancies on the German employment market fell noticeably at the end of 2019 and the beginning of 2020, they remain at an above-average level of 668,000 jobs. The unemployment rate has held steady, remaining at the previous year's level of 5.3 % in January 2020.

## Office Property Market in 2019

	Berlin	Hamburg	Munich	Frankfurt	Stuttgart	Dusseldorf	Cologne	Bonn	Ulm	Dortmund	Essen	Mannheim	Heidelberg
Office Stock (in sqm)	18,800,000	13,810,000	20,420,000	11,430,000	8,000,000	7,460,000	8,011,500	3,954,000	875,000	3,011,000	3,220,000	2,070,000	1,010,000
Change Y-o-Y	↗	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗	↗	↗
Take-Up (in sqm)	1,015,000	538,000	767,000	573,800	315,000	462,000	293,000	112,600	28,800	94,500	165,000	71,000	69,000
Change Y-o-Y	↗	↘	↘	↘	↗	↗	↗	↘	↗	↗	↗	↗	↗
Prime Rent (in €/sqm)	39.50	30.00	39.50	45.50	24.50	28.50	27.14	26.33	18.00	15.60	15.00	18.50	16.70
Change Y-o-Y	↗	↗	↗	↗	↗	↗	↗	↗	↔	↗	↔	↗	↗
Average Rent (in €/sqm)	26.00	17.60	20.00	22.30	16.20	16.71	13.80	12.00	11.00	11.13	10.94	14.00	14.00
Change Y-o-Y	↗	↗	↗	↗	↗	↗	↗	↘	↗	↗	↘	↗	↗
Vacancy Rate	1.2	2.8	2.1	6.1	1.9	7.0	2.2	2.1	4.1	2.1	3.1	4.6	2.9
Change Y-o-Y	↘	↘	↔	↘	↘	↘	↘	↗	↗	↘	↘	↗	↗
Prime Yield (in %)	2.65	2.85	2.70	2.85	3.10	3.10	3.25	3.75	4.40	4.25	4.20	3.95	4.10
Change Y-o-Y	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘
Transaction Volume Office (in m €)	7,520	2,630	7,840	6,470	1,750	2,730	2,230	n/a	n/a	Ruhr area 1,020		n/a	n/a
Change Y-o-Y	↗	↗	↗	↘	↗	↗	↗	n/a	n/a	↘	n/a	n/a	n/a

Source: NAI apollo group



## OFFICE INVESTMENT GERMANY

The market for office property transactions in Germany achieved a new record result for 2019, replacing 2007 as the previous record year. The total investment volume in 2019 amounted to €39.4bn, which was 30.8 % above the year-ago figure and close to as much as 90 % higher than the ten-year average. This extraordinarily positive market development was primarily owing to the strongest fourth quarter on record, which alone was responsible for €18.1bn.

The new all-time high can also be attributed to a strong rise in portfolio sales, which were more than three quarters higher than the year-ago level with a volume of almost €7.5bn (2018: €4.2bn). The largest transaction involved the sale of the European Dream Global REIT portfolio to Blackstone. Of the German properties with an estimated value of €3.0bn, the majority were for office use. Single-asset office property transactions amounted to approx. €31.9bn, which is almost a quarter higher than a year previously. In particular, single-asset deals included a large number of transactions above €100m in the Top 7 markets.

Domestic investors maintained a firm hold on the German office investment market, investing almost €21.4bn in total. Compared to the previous year, the domestic investment volume increased by 16.2 % or almost €3.0 billion. However, this also indicates that foreign players were responsible for the strong market growth with an increase of 53.6 %. Aside from the USA, the United Kingdom and France, countries worth highlighting include Austria, Singapore and South Korea.

Once again “Asset / fund managers” and “open-ended funds / special funds” rank among the most important types of investors on the office investment market, with purchases amounting to a combined €21.9bn. However, other market players ramped up their investments by a much higher rate. For example, “insurances / pension funds” increased their invested capital by more than 45% year on year.

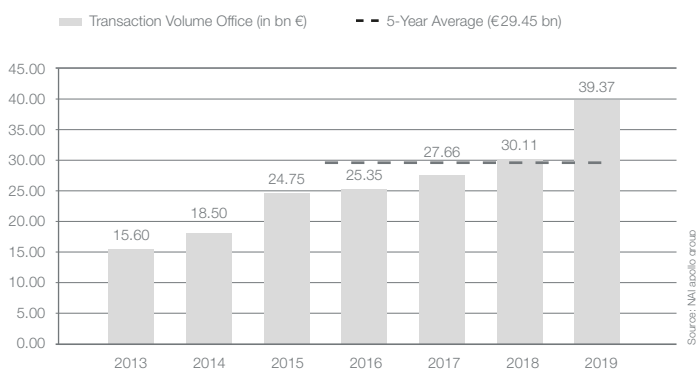
In addition to the German share of the Dream Global REIT portfolio mentioned above, the sale of the “Millennium portfolio” to the Commerz Real Hausinvest fund for around €2.6bn represents one of the largest portfolio deals. Furthermore, other major deals in the three-digit million range were recorded in the fourth quarter. “The Squire” at Frankfurt Airport went to AGC Equity Partners for around €935m. In Munich, “Tucherpark” was sold to Commerz Real and Hines for around €1.1bn. The sale of the “Stadthaus” in Cologne to the GEG German Estate Group for €500m is also worth highlighting here.

Geopolitical uncertainties, combined with a liquid capital market, ensure that German commercial real estate remains a sought-after asset, fuelled by the ongoing zero interest rate policy of the ECB. It comes as little surprise, therefore, that prime yields for certain locations and asset classes reduced further in the fourth quarter. In the office property segment, the average prime yield for the top five markets fell by six basis points.

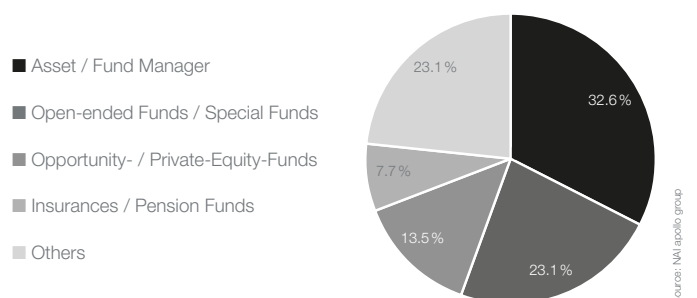
All top five locations were affected by the decline. Berlin registered the biggest drop of 0.10 percentage points within the past three months. Compared to the previous year, the yield in the German capital was 15 basis points lower at 2.65 %. In the other four top locations, a fall of only 0.05 percentage points was registered for each city in the fourth quarter. Yields now stand at 2.70 % in Munich, 2.85 % in Frankfurt and Hamburg, and 3.10 % in Düsseldorf. Compared to 2018, the values fell by between 10 and 20 basis points.

In 2020, the office transaction volume will again reflect the continuing strong demand for German office properties and a well-filled marketing pipeline. In this respect, the office investment market is again expected to achieve an above-average result for 2020.

### Office Transaction Volume in Germany



### Office Transaction Volume by Investor Type 2019





## OFFICE LETTINGS & OWNER-OCCUPIERS IN GERMANY

The German letting market for office spaces was characterised by increased market activity at a high level in 2019. Take-up by tenants and owner-occupiers in the 13 partner cities included in this report amounted to 4.50 million sqm. This result not only exceeds the previous year's figure by 4.1 %, but also represents the second-highest take-up volume in the reporting period. The shortage of available space is still a principle concern, and particularly slowing down market activity in the Top 7 locations (Berlin, Hamburg, Munich, Frankfurt am Main, Cologne, Dusseldorf and Stuttgart). Here, take-up was only slightly above the year-ago level at 3.96 million sqm (2018: 3.85 million sqm). The other six locations (Bonn, Essen, Dortmund, Mannheim, Heidelberg and Ulm) experienced a disproportionate increase in overall space take-up by 13.4 %. The total volume in these locations amounted to around 541,000 sqm in 2019.

The strongest growth rates were recorded in Ulm and Heidelberg, which in turn have the smallest office markets. Take-up almost doubled in these two locations. Apart from Bonn, all other locations outside the top seven recorded take-up growth. A mixed picture has emerged in the Top 7 cities: Berlin (+19.3 %), Dusseldorf (+40.4 %) and Stuttgart (+45.8 %) experienced noticeably stronger market activity, while Hamburg (-5.3 %), Frankfurt (-7.7 %) and Munich (-21.7 %) performed significantly below the previous year's level in some cases.

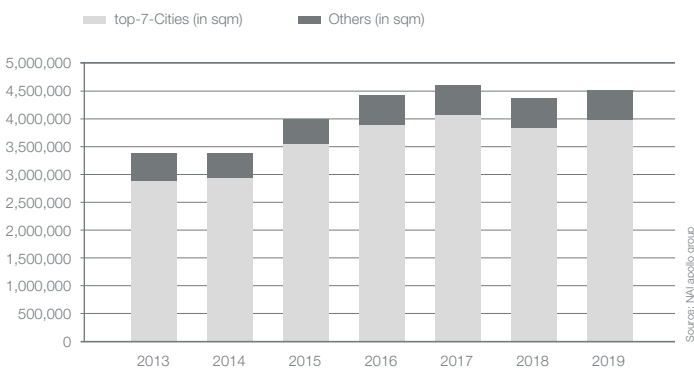
Munich continues to present itself as the largest office property market in Germany with a total of 20.42 million sqm of of-

fice stock (GFA). Next are Berlin (18.80 million sqm), Hamburg (13.81 million sqm), Frankfurt (11.43 million sqm), Cologne (8.01 million sqm), Stuttgart (8.00 million sqm) and Dusseldorf (7.46 million sqm) according to the gif MF-G standard. In the Ruhr area, Essen and Dortmund have a combined office stock of around 6.23 million sqm, while Bonn has 3.95 million sqm, Mannheim and Heidelberg (Rhine-Neckar region) a combined 3.08 million sqm, and Ulm 0.88 million sqm.

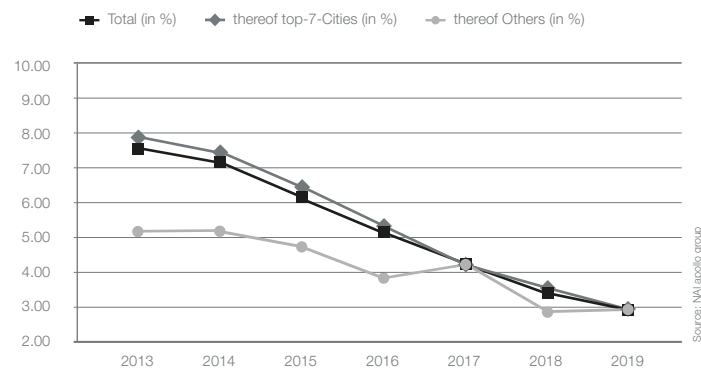
The robust demand for space coupled with a partly insufficient completions volume caused vacancies to fall further in 2019. Available office space in the 13 markets amounted to only around 3.00 million sqm at the end of 2019, which is 10.7 % or almost 360,000 sqm below the previous year's level. The vacancy rate for the cities in this report fell to a new low of 2.9 %. In the meantime, nine of the 13 cities have a vacancy rate of around 3 % or even significantly lower, which means that available space in these locations is below the fluctuation reserve.

At the same time, demand for space remains at a high level in most markets, although this is partially hampered by the glaring shortage of space. The partially filled-up project pipelines will have a positive impact on future take-up, but will do little to ease space shortages in the short term. Accordingly, office space take-up in the 13 office markets is expected to be in the region of the long-term average in 2020, or slightly above 4.0 million sqm. The vacancy rate will remain at a critical level for the time being.

### Space take-up in Partner Cities



### Vacancy Rates in Partner Cities





## OFFICE INVESTMENT BERLIN

### Transaction volume & yield

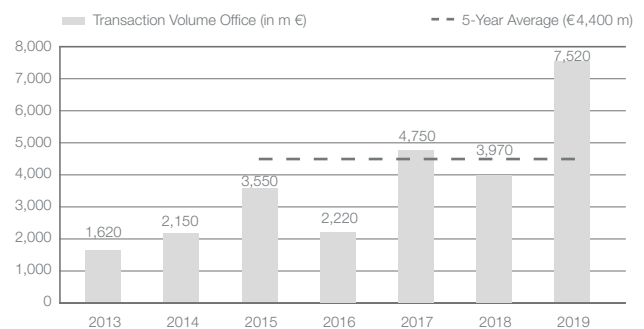
The Berlin office investment market was influenced by extreme market dynamics in 2019 and achieved a new record result. The registered volume of €7.52bn not only surpassed the previous record by 58.3 %, but also far exceeded the mid-term average of €4.40bn. Deals above €100m were a major factor here, accounting for more than three quarters of the registered volume. As a consequence, the average size of deals increased from over €70m in 2018 to more than €110m in 2019.

The strong demand for Berlin office property, coupled with the ongoing positive performance of the rental market, caused a further drop in yields. The prime yield for office properties stood at 2.65 % in Berlin at the end of the year, after falling a further 15 basis points during the previous 12 months. This means that the lowest office yield in Germany has been reached in Berlin.

### Investor type and origin

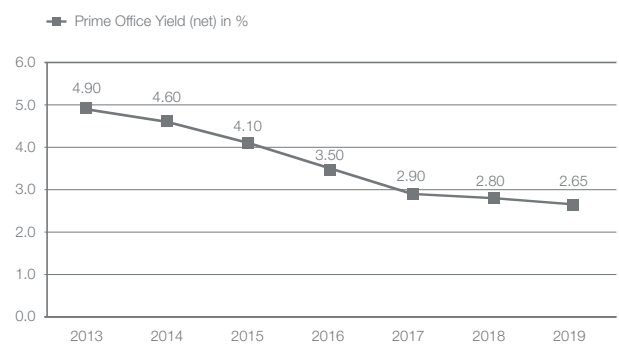
The Berlin office investment market was largely controlled by “asset / fund managers” and “open-ended funds / special funds” in 2019. These groups invested a combined €4.2bn and accounted for a market share of 56.3 %. Compared to the previous year, they increased their office transaction volume by two thirds. The fact that over 90 % of the investment volume flowed into deals above €50m can be seen as clear proof of the dominant position held by institutional investors. Moreover, the Berlin market has a very high proportion of foreign investors, which acquired office property for €4.69bn (62.3 % market share). The USA, Israel, France and the United Kingdom are among the strongest foreign investor nations. The ongoing positive situation on Berlin’s office lettings market continues to encourage firm commitment from investors. Interest in Berlin office properties is therefore expected to remain at a high level in 2020 and, in all probability, will again culminate in an above-average office investment volume.

### Transaction Volume



Source: NAI apollo group

### Prime Yield



Source: NAI apollo group

### Top 3 Transactions

1. Fürst by Ionview Holdings for approx. €850,000,000
2. Edge East Side by Allianz Real Estate / Universal-Investment for approx. €600,000,000
3. Stream by PGIM for approx. €480,000,000

# OFFICE LETTINGS & OWNER-OCCUPIERS BERLIN

## Space take-up

The Berlin market for office space was characterised by a record performance in absolute terms during 2019. Space take-up by tenants and owner-occupiers amounted to 1,015,000 sqm. This development was primarily owing to off-plan rentals, which accounted for more than 50 % of overall take-up. The record level of take-up by tenants and owner-occupiers was 19.3 % higher compared to the previous year, and as much as 8.9 % above the previous record figure from 2017. Following on from the strong third quarter, the fourth quarter was also able to contribute a healthy 284,000 sqm to the historically high annual result.

Several major deals from the second half of the year were primarily responsible for the highest office space take-up of all time. Particularly worth noting are the rental of 55,000 sqm in the “Edge East Side” by Amazon, 30,900 sqm in the “B: HUB” by the Bundesanstalt für Immobilienaufgaben (Institute for Federal Real Estate/BlmA), and 29,800 sqm in the “QH Track” by SAP. Companies in the “communication & IT” sectors accounted for the largest share of take-up. In terms of location, the highest take-up was recorded in the “Mitte” district, followed by Charlottenburg and Friedrichshain.

## Supply & demand

The positive market development caused a further reduction in the vacancy rate during 2019. At the end of the year, the vacancy rate fell to a new low of 1.2 % after dropping a further 0.3 percentage points in the previous 12 months. Central sub-markets in particular can be described as fully let. Although the project development volume for the period to 2021 has increased, this is not expected to ease the situation on the supply side. The supply of office space is as low as never before. In addition, more than half of the almost 2 million sqm of new space that will be built by 2021 has already been let in advance of completion.

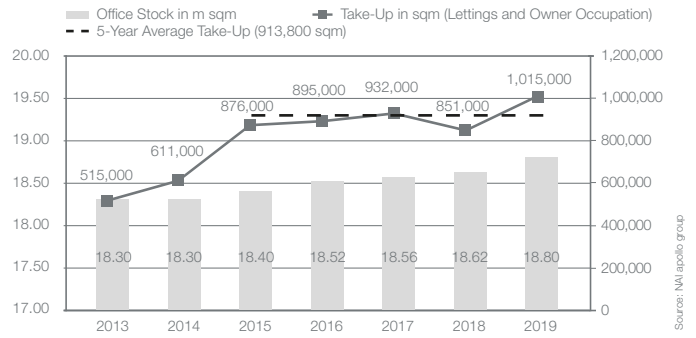
## Rents

The limited supply of space combined with the extreme demand caused a further sharp rise in rents in all sub-markets in Berlin. The prime rent increased by 11.3 % year-on-year to €39.50/sqm. The average rent rose by as much as 21.5 % and stood at €26.00/ sqm by the end of the fourth quarter. This trend will continue in 2020, further fuelled by the rising proportion of deals in new buildings.

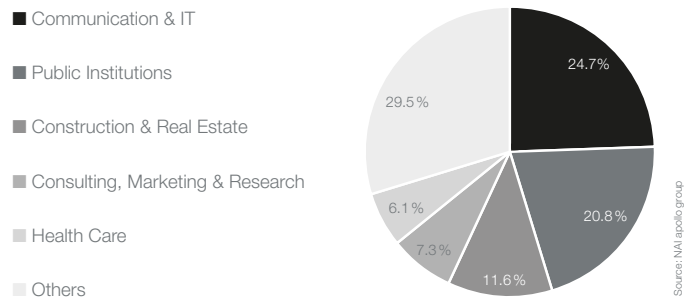
## Outlook

The German capital continues to be characterised by strong demand from users. Even though the supply of office space that can be occupied at short notice is unable to meet demand, the market situation is expected to remain robust owing to the well-filled project pipeline and the numerous searches for large spaces. Office space take-up is likely to remain below the record level of 2019 but will be in line with the average letting performance for the past five years of 800,000 sqm.

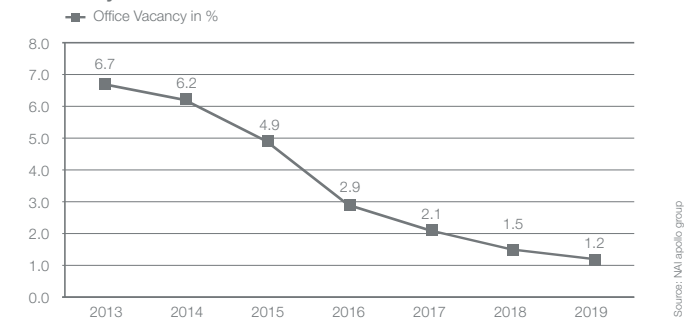
## Office Stock & Take-Up



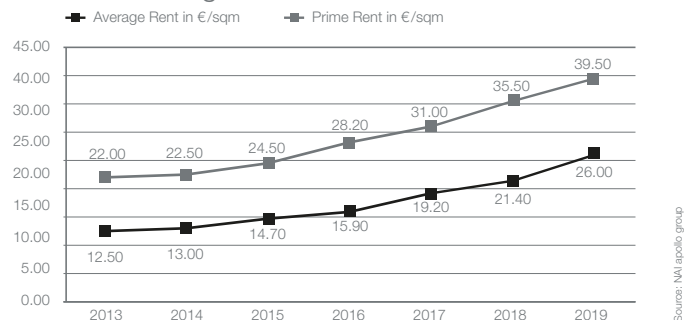
## Take-Up by Industry



## Vacancy Rate



## Prime- & Average Rent



## Top 3 Take-Up

1. Edge East Side, Helen-Ernst-Straße by Amazon for 55,000 sqm
2. B:HUB, 13-15, Kynaststraße by Bundesanstalt für Immobilienaufgaben for 30,900 sqm
3. QH Track, Heidestraße by SAP for 29,800 sqm





## OFFICE INVESTMENT HAMBURG

### Transaction volume & yield

The Hamburg office investment market was influenced by strong investment activity in 2019 and ended the year with the third best result ever recorded after 2016 and 2007. Compared to the previous year, the invested volume increased by 11.0 % to €2.63bn. In addition to major deals, such as “Edge HafenCity” and “Euler-Hermes HQ”, which were each sold for around €160m, a relatively large proportion of portfolio sales contributed to this result. Both the proportionate value of the Dream Global portfolio and the value of the Millennium portfolio in Hamburg lie in the mid three-digit-million range. The strong market demand put further downward pressure on the prime office yield in Hamburg. Over the past 12 months, the yield dropped 15 basis points to reach the current level of 2.85 %.

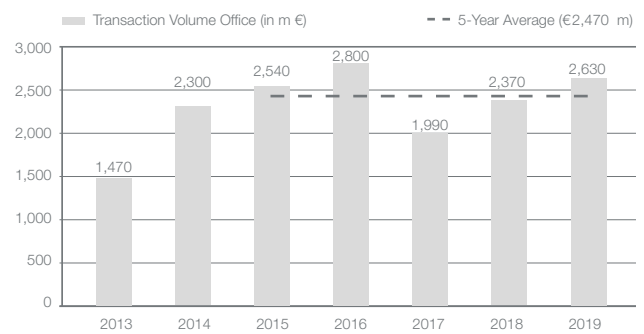
### Investor type & origin

Foreign players significantly increased their presence as a result of the high proportion of portfolio sales. In the previous year, these investors accounted for €0.57bn of the office transaction volume, but in 2019 they more than doubled their invested capital to €1.33bn. Investors from the United States, the United Kingdom, France and Luxembourg were particularly active.

The different types of players included a number of investors with triple-digit million contributions. These included “open-ended funds / special funds”, “asset / fund managers”, “opportunity- / private-equity-funds” and “insurances / pension funds”.

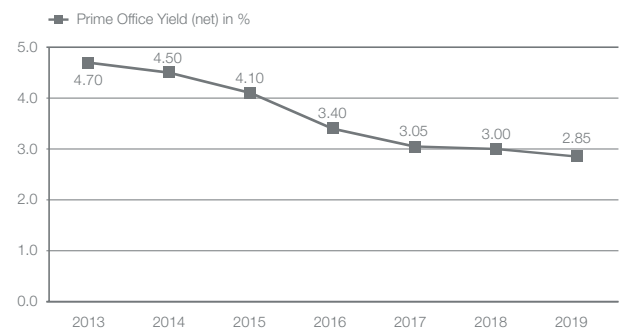
The Hamburg office lettings market is expected to continue to perform well during 2020. This in turn will have a positive impact on demand for office property. Combined with properties that are already on the market, this should produce an above-average investment volume for 2020. In the best-case scenario, the current year could even rank among the top three in terms of overall performance.

### Transaction Volume



Source: NAI Apollo group

### Prime Yield



Source: NAI Apollo group

### Top 3 Transactions

1. Deichtor-Center by BNP Paribas REIM for approx. €160,000,000
2. Euler-Hermes HQ by HanseMerkur for approx. €160,000,000
3. Edge HafenCity by Allianz Real Estate for approx. €160,000,000



## OFFICE LETTINGS & OWNER-OCCUPIERS HAMBURG

### Space take-up

The Hamburg market for office space ended 2019 with a solid result. Space take-up by tenants and owner-occupiers amounted to 538,000 sqm, which is below the level of the two strong preceding years (2017: 629,000 sqm and 2018: 568,000 sqm) but still in the range of the ten-year average. While a record-breaking result of 309,000 sqm was generated in the first half of the year, market activity slowed down in the last two quarters owing to the supply shortage and a corresponding absence of large deals. The scarcity of supply forced an increasing number of users to extend their existing leases.

Not a single deal above 10,000 sqm was completed in the second half of the year. Hence the annual result was based mostly on the large deals completed in the first half of the year. The construction of a new 40,000-sqm head office for Otto GmbH and the rental of about 20,000 sqm by Xing in "Unilever House" in Hafencity are thus still worth mentioning.

Despite the diminishing availability of space, the City sub-market still accounts for the highest take-up volume. Over 130,000 sqm was registered here, followed by a good 70,000 sqm in Hafencity. In terms of the different industries, "communication & IT" as well as "trade" generated the highest take-up.

### Supply & demand

As a result of the market's development, less space than before was available at short notice in Hamburg. At the end of 2019, the vacancy rate stood at 2.8 % after falling by a further 1.0 percentage points over the past 12 months, and represents the lowest level since the turn of the millennium. Construction activity, which has picked up significantly of late, will also fail to improve the situation on the supply side in the next two years. For example, over 70 % of the more than 300,000 sqm planned by 2021 has already been pre-let.

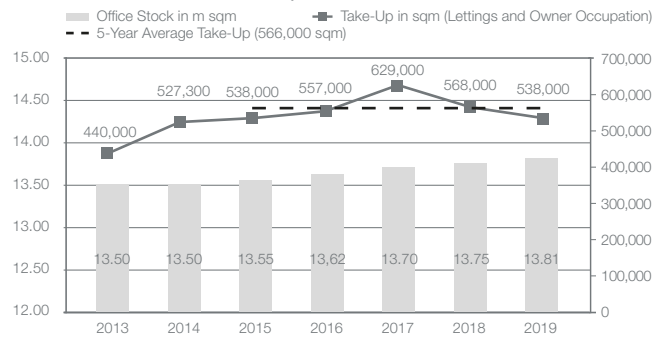
### Rents

The prime rent has now risen to €30.00/sqm owing to the low availability of space, consistently high demand and increased number of rentals in new developments. Compared to the previous year, the rate has increased by 9.9 %. The average rent stood at €17.60/sqm by end-2019, which represents an increase of 10.7 % compared to the previous year.

### Outlook

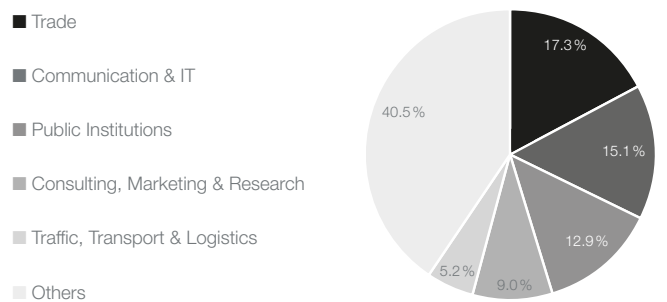
Although demand for space remains high, the supply shortage will hamper future take-up growth. The increase in construction activity and the shift towards rentals in new projects will reduce the strain on the lettings market. All in all, take-up in the region of 500,000 sqm is a realistic projection for 2020 as a whole.

### Office Stock & Take-Up



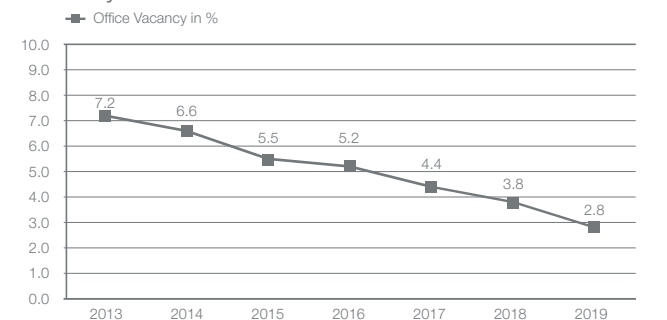
Source: NAI apollo group

### Take-Up by Industry



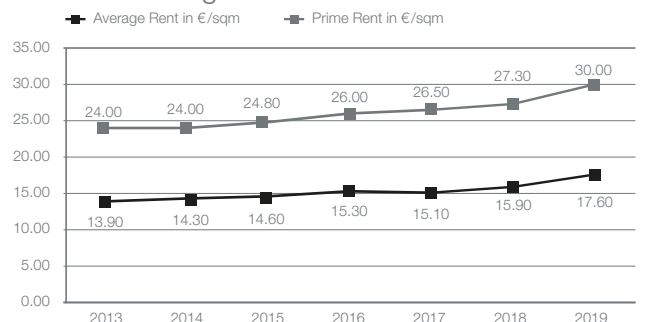
Source: NAI apollo group

### Vacancy Rate



Source: NAI apollo group

### Prime- & Average Rent



Source: NAI apollo group

### Top 3 Take-Up

1. Werner-Otto-Straße by Otto Versand for 40,000 sqm
2. Unilever-Haus, 1, Am Strandkai by Xing for 22,000 sqm
3. Edge Elbside, Versmannstraße by Vattenfall for 17,500 sqm



## OFFICE INVESTMENT MUNICH

### Transaction volume & yield

The office investment market in Munich experienced a boom period in 2019, and reached a new record volume of €7.84bn. This result exceeded the mid-term average by 59.2 % and the previous year's level by as much as 83.2 %. A number of large deals such as the sales of "Tucherpark" for about €1.1bn as well as "Die Macherei" for around €600m contributed substantially towards this extremely positive development.

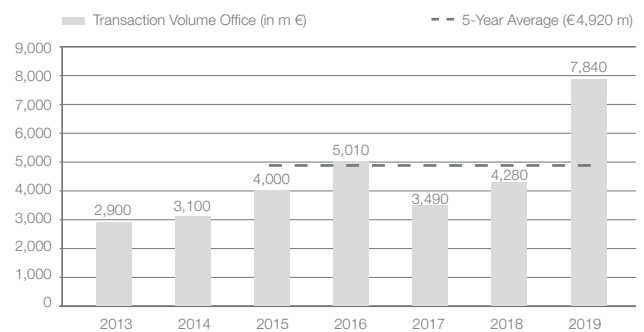
The tense situation on the Munich office lettings market, brought about by the insufficient supply of available space and rising rents, has transformed the Bavarian capital into a popular investment location. It therefore comes as little surprise that the prime yield for office properties in Munich now stands at 2.70 % after falling by a further 15 basis points in 2019.

### Investor type & origin

German investors accounted for the lion's share of the office transaction volume, investing a total of €4.31bn. Among the foreign investors, the most active nations were the USA, the United Kingdom, Luxembourg, Singapore and France. Three quarters of the market volume was distributed among the investor groups "open-ended funds/special funds", "asset / fund managers", "opportunity- / private-equity-funds" and "insurances / pension funds".

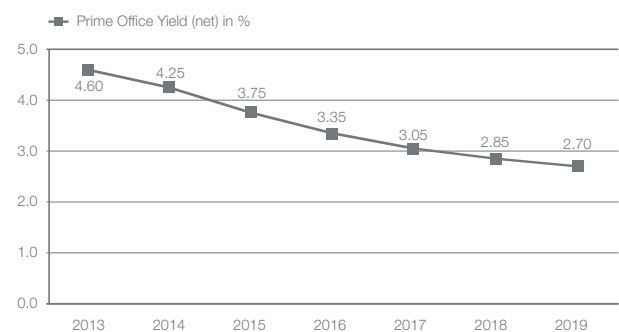
The office property investment market in Munich will remain attractive to investors in 2020, further fuelled by the positive conditions on the office letting market. Properties that are currently on the market will quickly be snapped up owing to the strong investor interest. To that effect, an office transaction volume of at least €5.0bn is expected for 2020.

### Transaction Volume



Source: NAI apollo group, including surrounding Communities

### Prime Yield



Source: NAI apollo group

### Top 3 Transactions

1. Tucherpark by Commerz Real / Hines for approx. €1,100,000,000
2. Die Macherei by Universal Investment / BVK for approx. €600,000,000
3. Siemens-Campus (60 %-Share) by RFR / Aroundtown for approx. €550,000,000

## OFFICE LETTINGS & OWNER-OCCUPIERS MUNICH

### Space take-up

In 2019 the office space market in Munich was unable to repeat the record results of previous years. Space take-up by tenants and owner-occupiers amounted to 767,000 sqm, which was 21.7 % below the previous year's record figure and 10.2 % lower than the five-year average. The fourth quarter was especially weak, registering take-up of 147,000 sqm.

The shortage of space meant that not all searches for large units could be satisfied, and fewer deals above 10,000 sqm took place as a consequence. The largest deals in 2019 still included the rental of 32,000 sqm by Apple in the "Karl" office project, the owner-occupier projects of ProSiebenSat.1 Media (approx. 26,000 sqm) and Bayerischer Rundfunk (25,000 sqm), and the lease signed by Allianz (approx. 19,000 sqm). As a result, the "communication & IT" sector accounted for the biggest slice of take-up with a market share of over 20 %. In terms of the different sub-markets, the city centre registered the highest take-up volume. One noticeable development was that the surrounding areas increased their share of take-up to around 30 % owing to the shift towards the city outskirts. This represents the highest value for some years.

### Supply & demand

Vacancies remained at a consistently low level in 2019. As in the previous year, the vacancy rate stood at 2.1 % and thus stayed below the 3 %-mark. The limited availability of space is particularly noticeable in central locations. Demand continues to clearly exceed supply and new developments are quickly absorbed by the market. Of the projects completed in 2019, hardly any of the space is available for rent. Although around 880,000 sqm of office space will be built by 2021, only a third of this volume is still available.

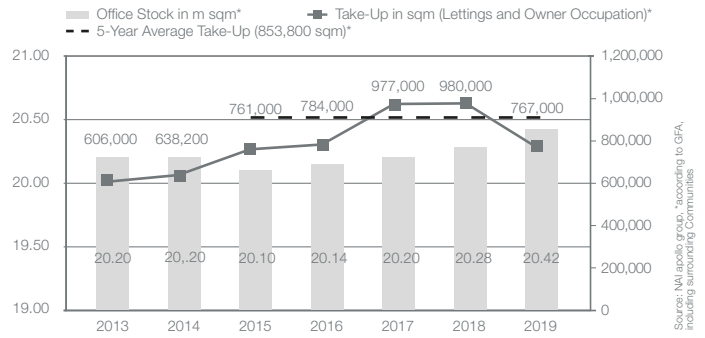
### Rents

The limited availability of space combined with strong demand has pushed rents up even further. The average rent stood at €20.00/sqm by the end of the year, and was 7.0 % higher compared to a year ago. The prime rent also reached a new peak of €39.50/sqm at the end of the fourth quarter, rising by 3.9 %. The market situation is not expected to ease in the coming year and rents are likely to increase again. Rentals in the premium sector could push the rate over the €40/sqm threshold.

### Outlook

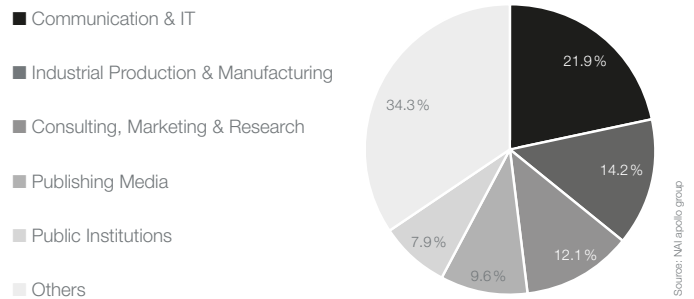
The economic strength of the Bavarian capital will ensure lively market activity in the coming months, even though demand will still be thwarted by the glaring shortage of space. This will further drive the ongoing trend towards the search for alternative options on the outskirts of Munich. All in all, space take-up is expected to be in the region of 800,000 sqm in 2020.

### Office Stock & Take-Up



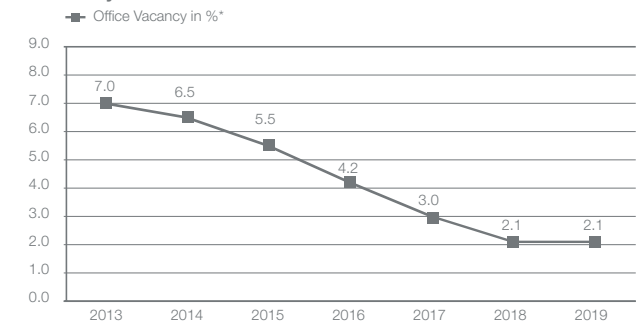
Source: NAI apollo group, \*according to GFA, including surrounding Communities

### Take-Up by Industry



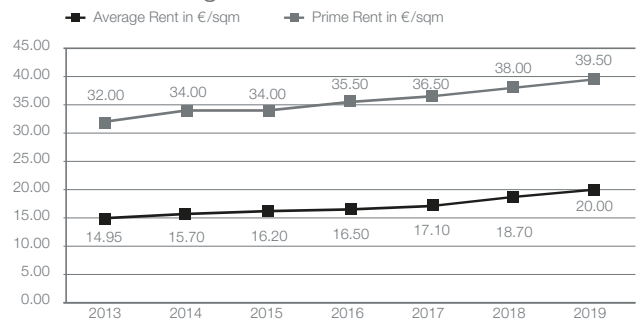
Source: NAI apollo group

### Vacancy Rate



Source: NAI apollo group, \*according to GFA

### Prime- & Average Rent



Source: NAI apollo group

### Top 3 Take-Up

1. KARL, 77-79, Karlstraße by Apple for 32,000 sqm
2. New Campus, Medienallee Unterföhring by ProSiebenSat1 for 26,000 sqm
3. Mediocampus, Floriansmühlstraße by Bayerischer Rundfunk for 25,000 sqm





## OFFICE INVESTMENT FRANKFURT

### Transaction volume & yield

As expected, the Frankfurt office investment market did not perform as well in 2019 after the exceptional year of 2018. Nevertheless, the office transaction volume amounted to €6.47bn and was still the second-best result ever recorded. This very good outcome was primarily owing to 15 large deals above €100m, generating a total volume of €4.22bn. These included the sale of the property “The Squire” for €935m as well as “Die Welle” for €620m.

The persistently high demand for Frankfurt office properties has caused the prime office yield to fall further still. During 2019 the rate fell 20 basis points to reach 2.85 % by the end of the year.

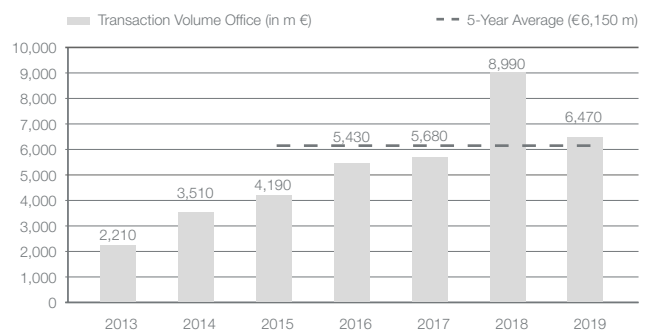
### Investor type & origin

The Frankfurt office investment market registered a higher level of activity by foreign players in 2019 compared to the previous year, also as a result of the large deals. Accordingly, the share of foreign investors increased from 50.4 % in 2018 to 54.4 % in 2019, with an investment volume of €3.52bn. Countries worth noting include the United States, the United Kingdom, South Korea, Singapore and Austria. German investors injected around €2.95bn into Frankfurt office property.

Among the different types of investors, “asset / fund managers” played a dominant role with around €3.5bn or a share of 53.4 %. They were followed by “open-ended funds / special funds” and “listed property companies / REITs” with investments in the high three-digit millions.

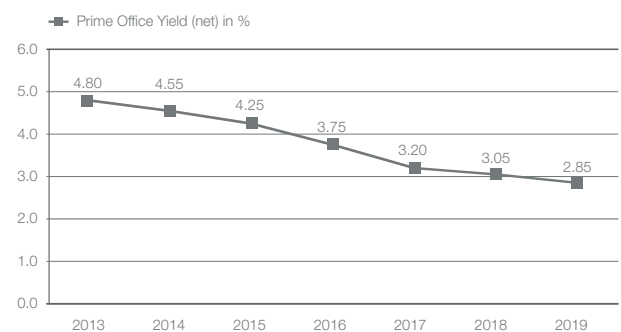
The Frankfurt office lettings market is again expected to perform well in 2020, and office investors will also want to participate here. Frankfurt office properties therefore remain a sought-after investment and the office transaction volume is again likely to be in the range of €5.0bn to €6.0bn in 2020.

### Transaction Volume



Source: NAI apollo group, including Eschborn and OF-Kaiserfeld

### Prime Yield



Source: NAI apollo group

### Top 3 Transactions

1. The Squire by AGC Equity Partners for approx. €935,000,000
2. Die Welle by Invesco Real Estate for approx. €620,000,000
3. T8 by Wirtgen Invest for approx. €400,000,000



## OFFICE LETTINGS & OWNER-OCCUPIERS FRANKFURT

### Space take-up

The Frankfurt market for office space including Eschborn and Ofenbach-Kaiserlei registered total space take-up by tenants and owner occupiers of 573,800 sqm in 2019, which was 7.7 % lower than in the previous year. However, take-up on the office lettings market was almost a fifth higher than the ten-year average (485,000 sqm from 2009 to 2018). This means that 2019 represents the third-best year in the current property cycle. The result was boosted by a year-end rally in the fourth quarter, with space take-up of 209,700 sqm. Seven major deals finalised in the last three months made a substantial contribution here.

These deals included the construction of owner-occupier premises in Lyoner Quartier by DekaBank (46,200 sqm), the rental of 26,500 sqm in "Athlon-Place" in City-West by Frankfurt City, and the lease contract signed by ING-DiBa in "Trade" (26,100 sqm). Accordingly, City-West represents the sub-market with the largest take-up, accounting for 74,500 sqm in 2019, followed by Lyoner Quartier and the banking district. In addition to the continuing strong demand for space by "banking, financial services & insurances", the "public sector" is one of the most active industries.

### Supply & demand

Vacancies remained on a downward trend at the end of 2019, and have now fallen for the eighth consecutive year. The current vacancy rate is only 6.1 %, which is 0.4 percentage points below the 2018 figure. The lack of high-quality space combined with strong demand for such space means that only 15 % of the 132,900 sqm of office space that came onto the market in 2019 is still available. A total of around 513,300 sqm of office space is expected to be completed in the next two years, of which only 40 % is still available for rent.

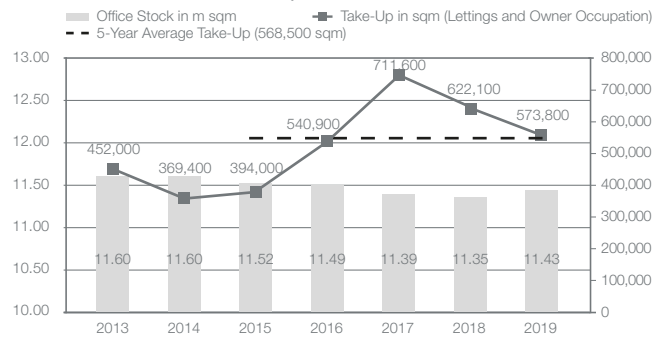
### Rents

The positive rental price trend continued in 2019, with rents reaching the highest level of the past 22 years. Owing to deals in high-priced properties in the banking district, including those in new developments, the prime rent is now quoted at €45.50/sqm after increasing by 5.3 % over the year. The average rent increased by 2.8 % to €22.30/sqm.

### Outlook

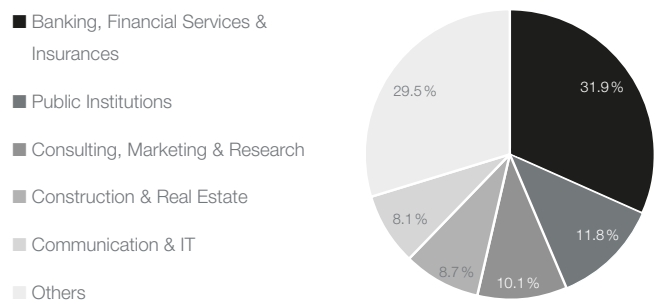
Take-up growth in the coming months will be slightly above average because of ongoing searches for large spaces, as well as lively demand for small spaces. A volume of 550,000 sqm is therefore forecast for 2020. Accordingly, the vacancy rate should slowly stabilise and rents are expected to remain at a high level for the time being.

### Office Stock & Take-Up



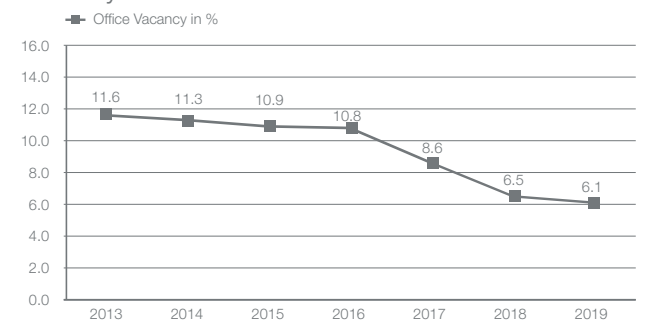
Sources: NAI apollo group, including Eschborn and Of-Kaiserlei

### Take-Up by Industry



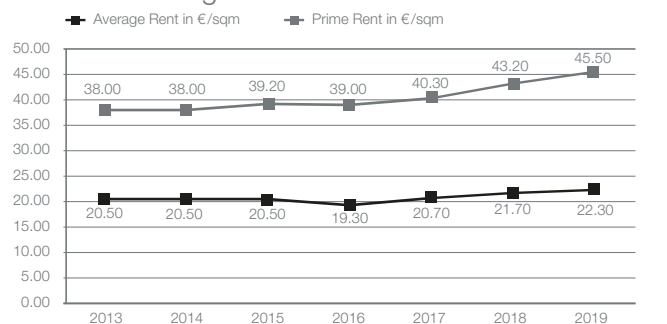
Sources: NAI apollo group

### Vacancy Rate



Sources: NAI apollo group

### Prime- & Average Rent



Sources: NAI apollo group

### Top 3 Take-Up

1. New office building, 13, Lyoner Straße by DekaBank Deutsche Girozentrale for 46,200 sqm
2. Athlon-Place, 27-37, Solmsstraße by Stadt Frankfurt for 26,500 sqm
3. Trade, 44, Theodor-Heuss-Allee by ING-DiBa for 26,100 sqm



## OFFICE INVESTMENT STUTTGART

### Transaction volume & yield

The Stuttgart office investment market was again characterised by extremely high demand in 2019 and achieved another record result of €1.75bn. The new high exceeds both the medium-term average and the previous year's result by around 40 %. The biggest sales included Königsbau Passage with a purchase price of about €280m, the Thales headquarters for around €245m and the Leo-Campus for about €130m.

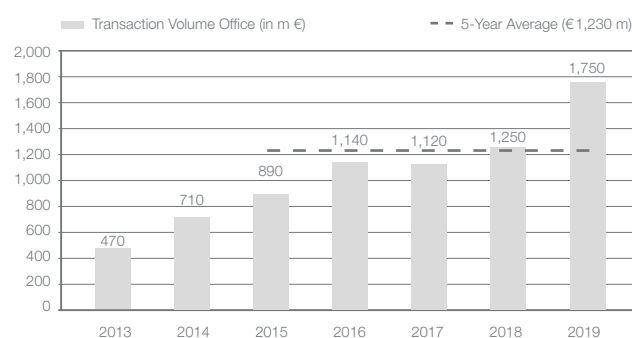
Strong investor interest put further downward pressure on the office prime yield in 2019. The rate fell by 20 basis points to 3.10 % by the end of 2019.

### Investor type & origin

While German investors dominated the office investment market in the previous year with two thirds of the volume, the situation has since reversed. Foreign investors now account for the lion's share of 65.4 %. The Stuttgart properties included in the Dream Global portfolio made a significant contribution here with a mid three-digit million amount. Almost 90 % of the office transaction volume originated from "asset / fund managers", "opportunity- / private-equity-funds", "property companies" and "open-ended funds / special funds".

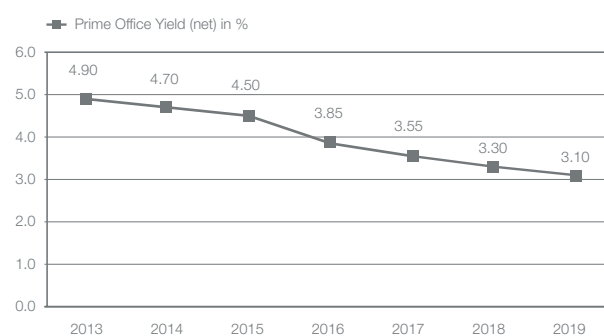
The ongoing tense situation on the Stuttgart office lettings market will sustain a high level of investment demand. Competition among bidders is also set to continue. As a result, an office transaction volume of at least €1.2bn is projected for 2020 as a whole.

### Transaction Volume



Source: NAI Apollo group

### Prime Yield



Source: NAI Apollo group

### Top 3 Transactions

1. Königsbau Passage, Stuttgart by Antirion SGR for approx. €280,000,000
1. 1, Thalesplatz, Ditzingen by Antirion SGR for approx. €244,500,000
2. Leo-Campus, Stuttgart by Barings for approx. €130,000,000

## OFFICE LETTINGS & OWNER-OCCUPIERS STUTTGART

### Space take-up

In 2019, the Stuttgart market for office space registered the second-best annual result ever recorded. Space take-up by tenants and owner-occupiers increased by 45.8 % year-on-year to 315,000 sqm (2018: 216,000 sqm). Last year's result also exceeded the five-year average. The strong growth was primarily owing to several large deals, especially in more peripheral locations.

The largest deal of the year involved the acquisition of a property by the state of Baden-Württemberg in Stuttgart-Feuerbach, with a total of 27,000 sqm for its own use. In addition, Vector Informatik rented about 25,000 sqm in the "W9" project in Stuttgart-Weilimdorf, while Siemens signed a contract for around 20,000 sqm in "Campus Urbanic" in Stuttgart-Zuffenhausen.

City topped the ranking of sub-markets thanks to a large number of deals. However, Feuerbach, Zuffenhausen and Weilimdorf also accounted for high percentages of the take-up volume in view of the large deals. The increasing shift towards peripheral locations is also set to continue since affordable spaces larger than 2,500 sqm are mostly available there because City is virtually at full occupancy. The large deals also influenced the distribution of take-up by sector. "Public institutions" generated the largest share of take-up in 2019, followed by "communication & IT" as well as "industrial production and manufacturing sector".

### Supply & demand

During 2019, available space on the Stuttgart office market diminished further while excess demand remained at a high level. At the end of the year, the vacancy rate stood at 1.9 % and was 0.5 percentage points below the year-ago level. This also represents the lowest rate since the start of the millennium. In central locations, virtually no large connected spaces are currently available. Project developments currently underway will also bring little relief in the short term. Although a record-breaking 240,000 sqm of new office space should come onto the market by the end of 2020, a large proportion of this will be used by owner-occupiers.

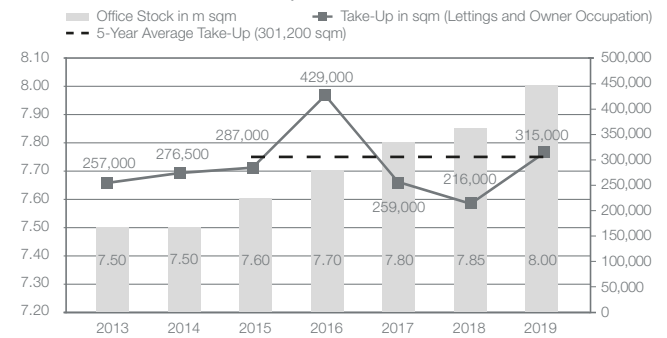
### Rents

The expansion of new developments combined with excess demand has brought about a further rise in the prime rent, which increased by 6.5 % to €24.50/sqm in 2019. Although a shortage of space in the upper segment prevented a further increase, the average rent reflected the tense situation by rising 16.5 % to €16.20/sqm and clearly exceeded the previous year's record.

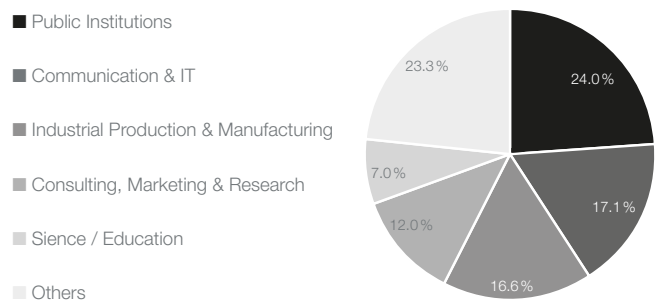
### Outlook

The excess demand on the Stuttgart office market will continue to have an influence on the market. Owing to the considerable supply shortage in the city centre, the demand will only be met by large project developments in peripheral locations. Consequently, space take-up of around 250,000 sqm is forecast for 2020.

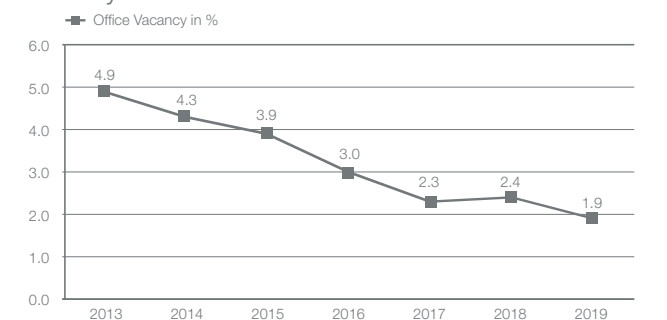
### Office Stock & Take-Up



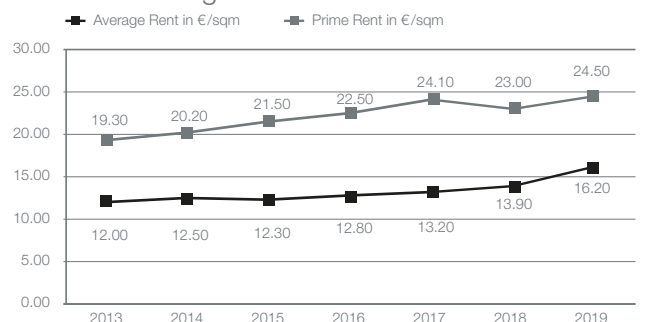
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

1. Owner-occupier purchase Wernerstraße by State of Baden Württemberg for 27,000 sqm
1. W9, 9, Weissacherstraße by Vector Informatik for 25,000 sqm
2. Urbanic, Lorenzstraße/ Schwieberdinger Straße by Siemens AG for 20,000 sqm





## OFFICE INVESTMENT DUSSELDORF

### Transaction volume & yield

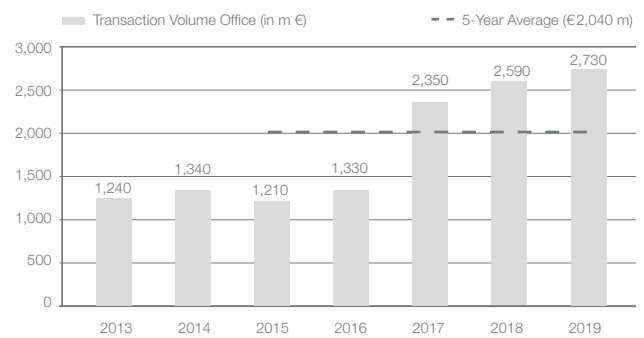
The Dusseldorf office investment market remains in peak form, achieving one record after another. After two record-setting years, a new high for office transactions was also reached in 2019. Overall, the result for 2019 was around €2.73bn, which is about a third above the medium-term average. This good performance was partly owing to large deals above €100m and partly to deals of between €25m and €50m, with increases registered in both segments. The biggest sales included the “Heinrich Campus” with an estimated sales price of €290m and the “Capricorn House” for around €185m. The rising demand for Düsseldorf office properties led to a further fall in the prime yield during the final quarter. At 3.10 %, the figure is 0.10 percentage points below the previous year’s value.

### Investor type & origin

Local investors continued to influence the market for office property transactions in Dusseldorf. Overall, they were responsible for over €2.0bn or 73.9 % of the volume. The USA, the United Kingdom, Austria and France rank among the most visibly active foreign players. Among the different types of investors, “asset / fund managers”, “opportunity- / private-equity-funds” and “open-ended funds / special funds” stood out.

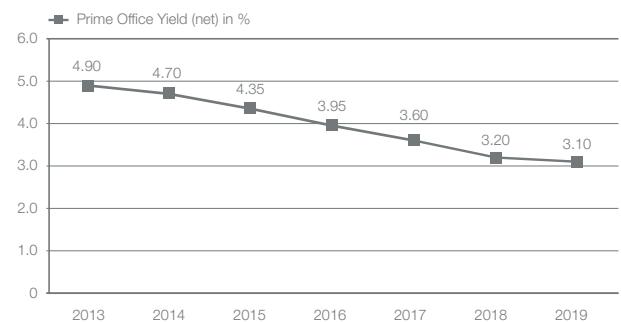
Dusseldorf was still of considerable interest to investors because of the continuing positive performance on the office lettings market, with rising rents and take-up. The office investment volume is therefore again expected to be above the long-term average in 2020.

### Transaction Volume



Source: NAI Apollo group

### Prime Yield



Source: NAI Apollo group

### Top 3 Transactions

1. Heinrich Campus by Universal Investment / BNP Paribas REIM / E.on Pension Trust for approx. €290,000,000
2. Capricorn-Haus by DWS for approx. €185,000,000
3. Herzog-Terrassen by Godewind for approx. €140,000,000



## OFFICE LETTINGS & OWNER-OCCUPIERS DUSSELDORF

### Space take-up

The Dusseldorf market for office space achieved a record result in 2019. Office space take-up by tenants and owner-occupiers amounted to a total of 461,900 sqm, which is not only 40.4 % above the previous year's figure but also exceeded the ten-year average by 103,000 sqm.

This extremely good result was driven by deals above 5,000 sqm, which were responsible for 224,000 sqm or almost half of the total take-up. Such deals included the rental of 34,000 sqm by the media company WPP plc in "Mizal" and of 21,600 sqm by WeWork in "Herzogterrassen". Barmer Krankenkasse, Commerzbank and automotive supplier ZF TRW also each signed leases for more than 10,000 sqm.

In terms of the different sub-markets, City accounted for the biggest share of office space take-up with over 100,000 sqm. In addition, the Linksrheinisch (Left Bank)/Am Seestern and Harbour sub-markets proved popular with office users, accounting for 87,600 sqm and 75,900 sqm respectively. "Public institutions" generated the largest share of take-up in 2019, followed by the "industrial production and manufacturing sector" as well as "communication & IT".

### Supply & demand

Vacancies have continued to fall in Dusseldorf as a result of the very good take-up performance. The vacancy rate stood at 7.0 % at the end of 2019 and was 0.2 percentage points below the 2018 figure. Office space therefore remains in short supply, especially in terms of modern and high-quality office premises.

### Rents

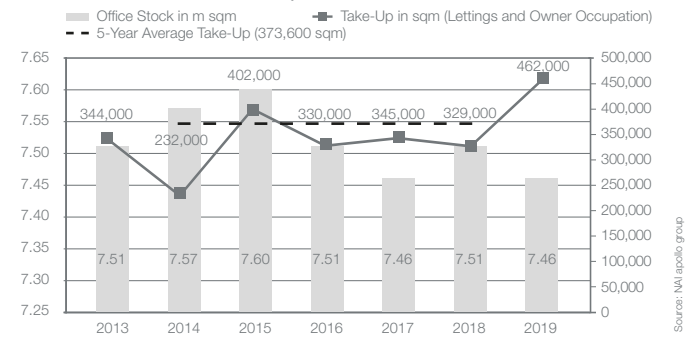
The prime rent for Dusseldorf increased by a further €1.00/sqm or 3.6 % to €28.50/sqm during 2019 and is still obtained in the sub-market Königsallee/banking district.

The high-priced lease contracts mentioned above also pushed up the average rent significantly by 4.0 % year-on-year to €16.71/sqm.

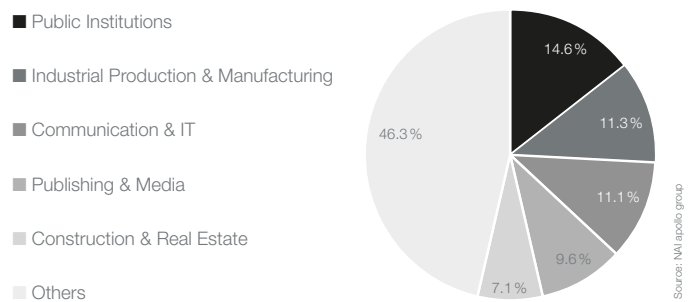
### Outlook

The ongoing strong demand for space, given the availability of space, will have a noticeable impact on the market. However, the 2019 record result is unlikely to be repeated. Take-up of 350,000 sqm to 400,000 sqm is forecast for the Dusseldorf office market in 2020.

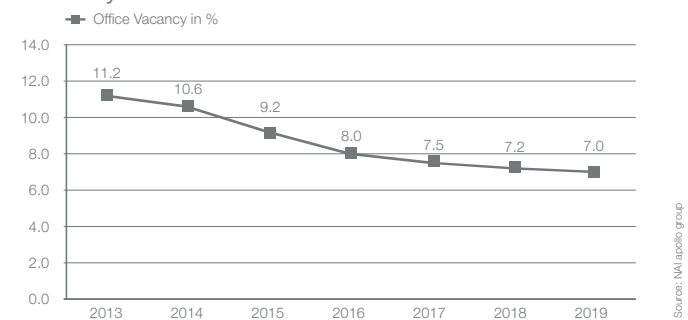
### Office Stock & Take-Up



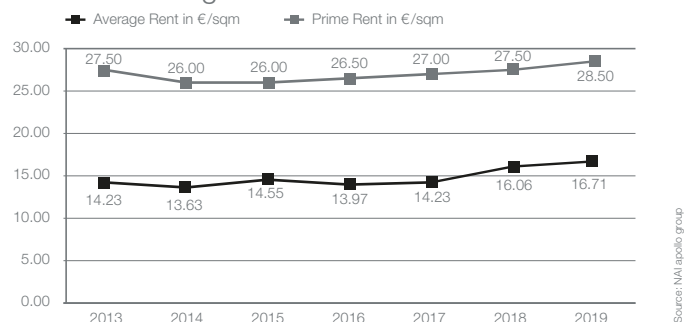
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

1. Mizal, 33, Völklinger Straße / Plockstraße by WPP for 34,000 sqm
2. Eclipse, Georg-Glock-Straße / Kennedydamm by PwC for 25,000 sqm
3. Herzogterrassen, 15 Herzogstraße by WeWork for 21,600 sqm



## OFFICE INVESTMENT COLOGNE/BONN

### Transaction volume & yield

The office investment market in Cologne was in peak form in 2019 and also set a new record. The office investment volume amounted to €2.23bn, exceeding the previous all-time high in 2017 (€1.47bn) by more than 50%. A large number of deals above €100m contributed towards this result. The sale of the Cologne “Stadthaus” for €500m represented the biggest deal.

The strong investor demand in Cologne put further downward pressure on the prime yield for top office properties in 2019. Over the course of the year, the rate fell by an additional 0.15 percentage points to 3.25 %.

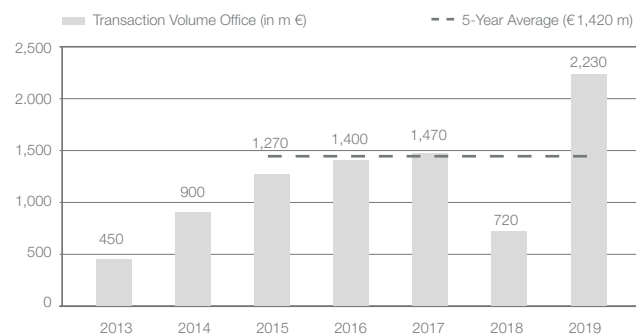
### Investor type & origin

The acquisition of the Stadthaus in Deutz, purchased by GEG for some insurance and pension funds, ensured that the “insurances / pension funds” group gained the biggest market share. It was followed by “asset / fund managers”, “opportunity- / private-equity-funds”, and “open-ended funds / special funds”.

Domestic investors accounted for two thirds of the investment volume in 2019, far exceeding international players. On the sales side, international investors were marginally ahead of local players.

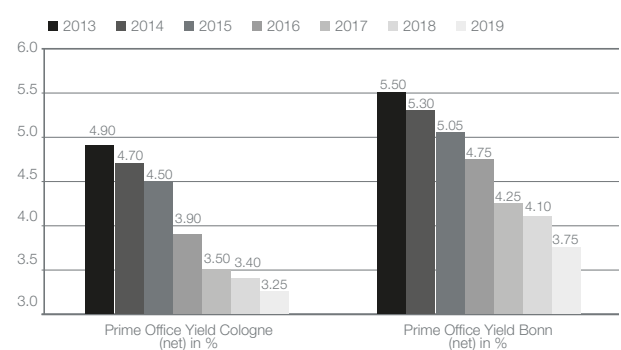
Investors continue to focus on the office asset class because of the positive situation on the office market, characterised by a falling vacancy rate and rising rental prices. Although activity on the office investment market in Cologne is expected to remain brisk in 2020, a new record result is not anticipated in view of last year’s exceptional performance.

### Transaction Volume



Source: NAI Apollo group

### Prime Yield



Source: NAI Apollo group

### Top 3 Transactions

1. Stadthaus Köln by GEG German Estate Group for approx. €500,000,000
2. Company acquisition Dream Global (KölnTurm & Cäcilium) by Blackstone for approx. €260,000,000
3. Partial sale Technologiepark, by TPG Real Estate Partner for over €200,000,000

## OFFICE LETTINGS & OWNER-OCCUPIERS COLOGNE

### Space take-up

The Cologne market for office space ended 2019 with an average result. Take-up by tenants and owner-occupiers amounted to 293,000 sqm, which is 10,000 sqm above the previous year's figure. A higher result could have been possible in view of the strong demand for office premises, but take-up was hampered by the shortage of available space.

On top of that, only one contract for a unit larger than 10,000 sqm was recorded last year. Sparkasse KölnBonn secured over 16,000 sqm in the "kite" project in Cologne Ossendorf, with Larbig & Mortag acting as broker. In contrast, a very positive balance was achieved in the 2,000 sqm to 10,000 sqm category, with 33 lease contracts. This figure includes the rental of 8,400 sqm by Arlanxeo Deutschland GmbH in MesseCity Deutz and of 7,900 sqm by the German Aerospace Center in Porz/Gremberghoven.

In terms of take-up by the different industries, the "construction & real estate" sector and companies from "communication & IT" achieved the highest market shares of more than 10 % apiece. "banking, financial services & insurances" and "consulting, marketing & research" were next in line.

### Supply & demand

Vacancies on the Cologne office property market continued to fall throughout 2019. The vacancy rate has now reached a new low of only 2.2 %, which is 1.0 percentage points below the previous year's figure. Office completions of around 145,000 sqm in 2019 also proved unable to halt this trend, as the new space was immediately absorbed or rented out before completion. Projects currently under construction will bring 260,000 sqm onto the market, and this should help ease the tense supply situation.

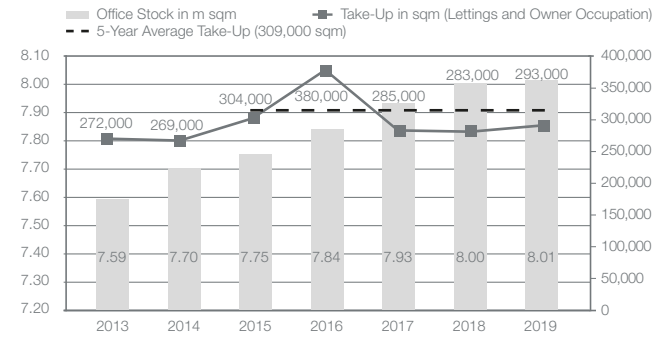
### Rents

Rental prices have continued to rise in Cologne. The average rent increased by 4.5 % year-on-year to €13.80/sqm. Recent market developments had an even greater impact on the prime rent, which has now risen to €27.14 /sqm and thus exceeds the previous year by 17.5 %. Rents are expected to remain at this high level.

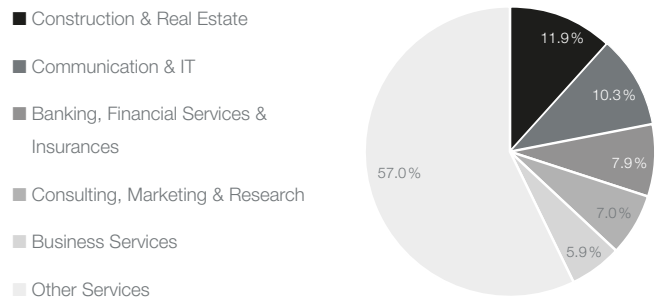
### Outlook

The current market situation is characterised by continuing strong demand. Some major deals are already close to completion and will have a positive impact on take-up. In this respect, take-up in the range of 280,000 to 300,000 sqm is again expected for 2020.

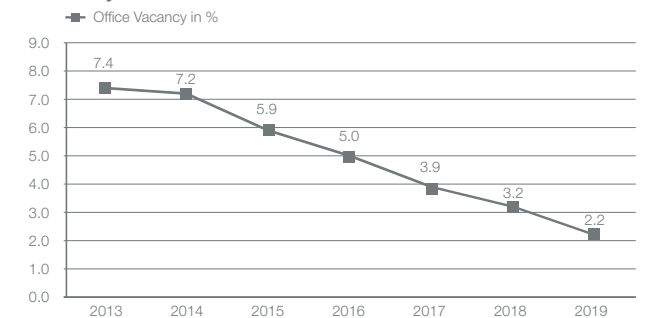
### Office Stock & Take-Up



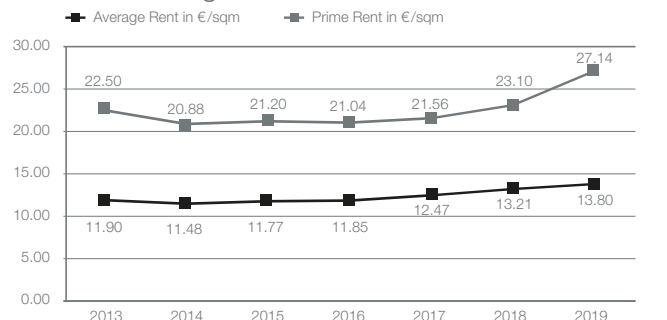
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

1. kite, Butzweilerhofallee by Sparkasse KölnBonn for 16.350 sqm
2. MesseCity Deutz, Barmerstraße by Arlanxeo Deutschland GmbH for 8.400 sqm
3. Porz/Gremberghoven by Deutsches Zentrum für Luft- und Raumfahrt e. V. (DLR) for 7.900 sqm

## OFFICE LETTINGS BONN

### Space take-up

The Bonn office property market experienced strong momentum in 2019. As expected, space take-up by tenants and owner-occupiers was around 9.4 % below the previous year's record figure at 112,600 sqm. At the same time, this represents the second-best result ever recorded. The mid-term average was exceeded by almost 13 %.

Three major deals above 10,000 sqm made a significant contribution towards this result, accounting for approx. 39,000 sqm in total. For example, Generaldirektion Wasserstraße und Schifffahrt (General Directorate for Waterways and Shipping) secured around 13,500 sqm at 51 Propsthof. In addition, 17 other deals for more than 1,000 sqm were registered.

The Bonn office market was again dominated by the traditionally strong public sector in 2019, with a market share of 41.5 %. This sector was responsible for all three deals over 10,000 sqm. In terms of location, the Zentrum (city centre) and Bundesviertel sub-markets were in the lead with 28,800 sqm and 26,900 sqm respectively, followed by Weststadt.

### Supply & demand

The decline in vacancies has been halted for the time being. On one hand, projects with vacant premises have come onto the market, while some lease contracts were postponed until 2020. The vacancy rate now stands at 2.1 %, which is 0.5 percentage points higher than in 2018. Despite this marginal increase, the availability of space is still deemed insufficient. New developments are not expected to improve the situation in the short term, as only 4,400 sqm of the planned 42,700 sqm that will come onto the market in 2020 is still available.

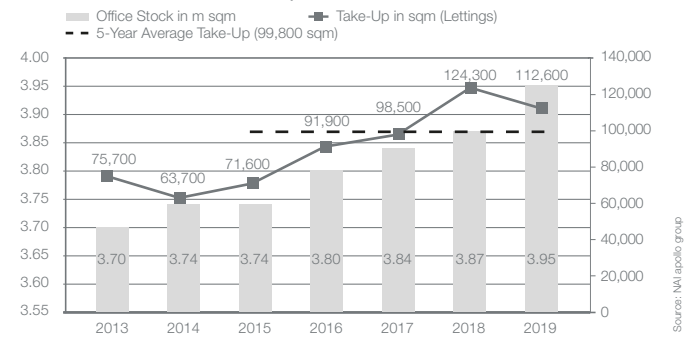
### Rents

The prime rent increased noticeably in Bonn during 2019 as a result of the good lettings performance combined with the ongoing tense supply situation. The rate grew by around 12.9 % year-on-year to reach €26.33/sqm at the end of 2019. However, the average rent fell to €12.00/sqm. Rents were below this level in more than half of all contracts signed. Upcoming lease contracts in new developments will have a positive impact on rental prices.

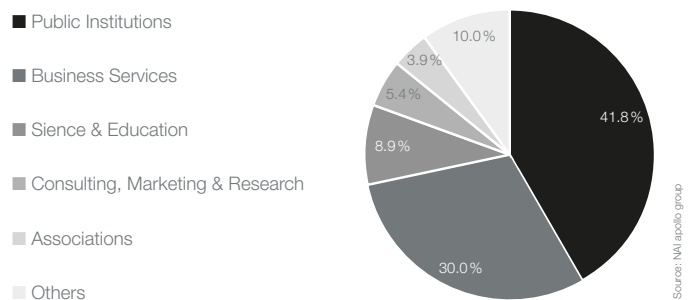
### Outlook

Demand for office space remains at a very high level in Bonn. However, the marked lack of space continues to be a limiting factor. Market activity is therefore largely dependent on office premises becoming vacant. Accordingly, office space take-up is expected to be in the region of 100,000 sqm in 2020.

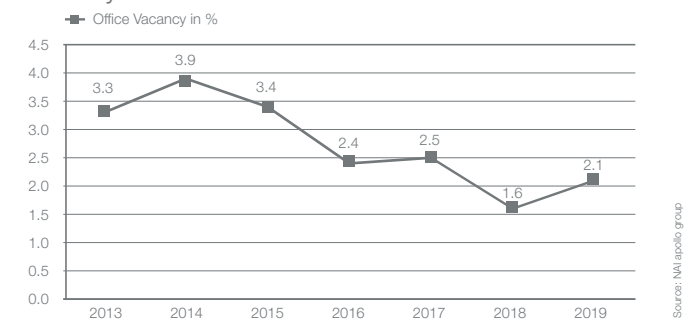
### Office Stock & Take-Up



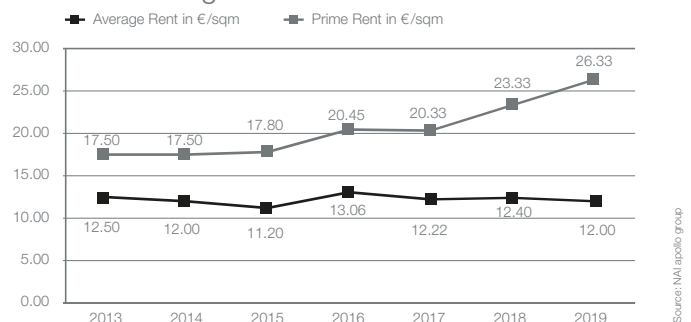
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

1. 8, Rabinstraße by Public Institution for 14,000 sqm
2. 51, Am Propsthof by Generaldirektion Wasserstraßen und Schifffahrt for 13,500 sqm
3. 153-159, Graurheindorfer Straße by Public Institution über 11,500 sqm





## OFFICE LETTINGS & OWNER-OCCUPIERS ULM

### Space take-up, Property Stock & Space Availability

Last year proved to be a sensational 12 months for Ulm, dubbed the City of Science, which ended 2019 with a new record result. Space take-up by tenants and owner-occupiers amounted to 28,800 sqm, which was not only well above the five-year average but also close to twice the volume of the previous year. The upswing in the market was driven by an increase in deals above 500 sqm. The Institute for Quantum Technology was responsible for one of the biggest deals, securing about 3,800 sqm in “Altes Röhrenwerk”. Furthermore, Sartorius rented approx. 3,000 sqm and Bosch Rexroth about 2,400 sqm in “Science Park III”.

Office stock rose slightly to 875,000 sqm in 2019 owing to a higher completion rate. Since not all completed spaces have been taken up, the vacancy rate has increased marginally. Nevertheless, the rate remains at a relatively low level of 4.1%. Another limitation is that 50% of the vacant spaces no longer meets modern user requirements in terms of fitout and building quality.

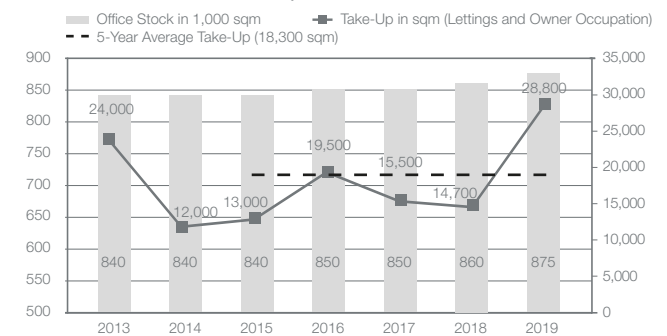
### Rents

In 2019 the prime rent remained at the previous year’s level of €18.00/sqm. On the basis of rentals in new buildings and renovated old buildings, the average rent increased by 1.9% year-on-year to €11.00/sqm. Owing to further rentals in project developments, rental prices are expected to remain unchanged in 2020.

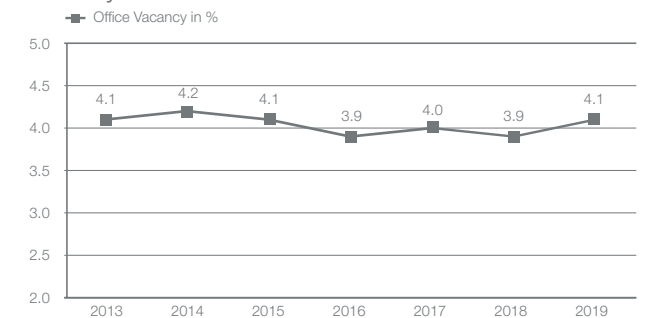
### Outlook

The office market in Ulm is still characterised by very high demand for space. In 2020 this demand should be better served through the creation of new office space, among other factors. Since not all projects are likely to be absorbed by the market, more space should also become available. With regard to office space take-up, the conditions for another above-average result are now in place.

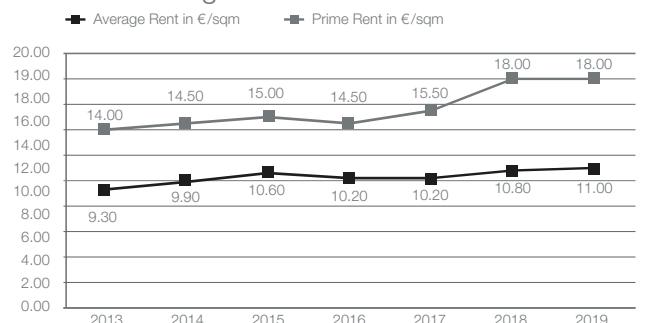
## Office Stock & Take-Up



## Vacancy Rate



## Prime- & Average Rent





## OFFICE INVESTMENT RUHR AREA

### Transaction volume & yield

The market for office property transactions in the Ruhr region was again characterised by strong investor demand in 2019. The total investment volume amounted to €1.02bn, although this was a quarter below the record result achieved in the previous year. At the same time, last year's volume is in line with the five-year average. The limited supply of larger properties in particular prevented a higher volume from being realised in 2019. It was again the case last year that not a single deal above €100m took place. The biggest sales in the Ruhr region were all carried out in Duisburg and included the "Bahn-Verwaltung" with a purchase price of approx. €95m, the "Silberpalais", which was sold for about €70m, and the "Stadtfenster" with a purchase price of €58m.

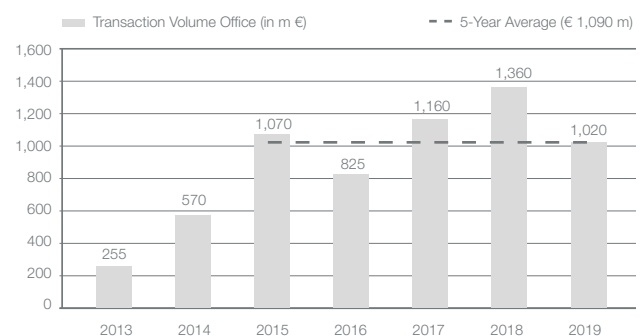
The markedly high level of investor interest combined with a limited supply further drove down yields in the Ruhr region. Prime office yields stood at 4.20 % in Essen and 4.25 % in Dortmund at the end of 2019. This means that the rates in both cities fell by an additional 25 basis points over the past 12 months.

### Investor type & origin

Owing to the absence of office property sales above €100m, the average price per office property decreased from almost €23m in 2018 to around €16m. The office investment market in the Ruhr region remains firmly in the hands of German investors. Although local players invested less in absolute terms, they were still responsible for two thirds of the market activity. The most active investors groups include "open-ended funds / special funds", "asset / fund managers", "listed property companies / REITs", but also "private investors / family offices", all of which invested three-digit million amounts.

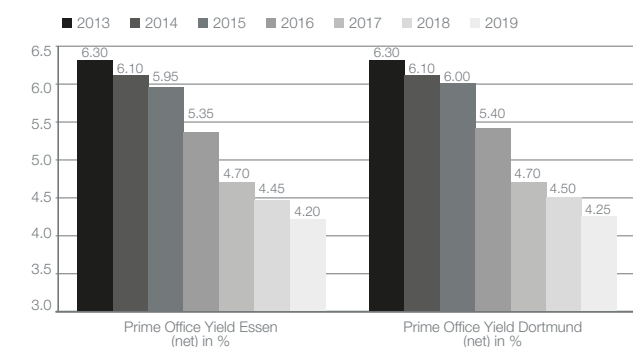
The heightened focus of investors on secondary locations and the continuing good performance of office markets in cities located in the Ruhr region will ensure strong investor interest in 2020. Accordingly, an office transaction volume in the range of €1.0bn is also forecast for 2020.

### Transaction Volume



Source: NAI Apollo group

### Prime Yield



Source: NAI Apollo group

### Top 3 Transactions

1. Bahn-Verwaltung, Duisburg by Aviva Investors for approx. €95,000,000
2. Silberpalais, Duisburg by Bank J. Safra Sarasin AG for €70,000,000
3. Stadtfenster, Duisburg by DIC Asset for approx. €58,100,000

## OFFICE LETTINGS & OWNER-OCCUPIERS ESSEN

### Space take-up

The Essen market for office space achieved an outstanding result in 2019, with space take-up by tenants and owner-occupiers amounting to 165,000 sqm. The result was 6 % higher compared to the previous year, and also far exceeded both the mid- and long-term averages. The pure lettings business repeated last year's record figure of 142,500 sqm, which was unexpected in view of the low supply reserve. Companies again acquired or built significantly more office space for their own use in 2019. Total take-up by owner-occupiers amounted to 22,500 sqm or a 14 % share overall, which is the usual value for Essen. Companies based in Essen were responsible for the largest lease contracts. For example, RWE AG signed a contract for the 15,000-sqm second building phase of the "RWE Campus". In addition, the energy group rented about 6,200 sqm of office space at 149 Helenenstraße on a temporary basis. Hochtief AG also secured a further 15,800 sqm at 132-136 Alfredstraße to cover the construction period for its new corporate office on Opernplatz. In addition, Karstadt expanded its premises at 2 Theodor-Althoff-Straße by a further 8,000 sqm because of the merger with Galeria Kaufhof. "Trade-, traffic- & transport companies" topped the industry ranking with a 60.4 % share of take-up, followed by "business services" with 11.6 %.

### Supply & vacancies

The vacancy rate fell sharply from 4.2 % to just 3.1 % within a year. This corresponds to a short-term supply reserve of only around 100,000 sqm, which equates to about 70 % of the annual letting performance of the past two years. In 2019, an even smaller volume of office space was completed compared to the previous year (23,000 sqm in 2019 and 29,000 sqm in 2018), and only 1,000 sqm of the newly built space is still available. A completions volume of around 34,500 sqm is expected for 2020, but most of this space has already been pre-let. In this respect, the availability of space in the overall market will decrease significantly towards the 2 %-mark.

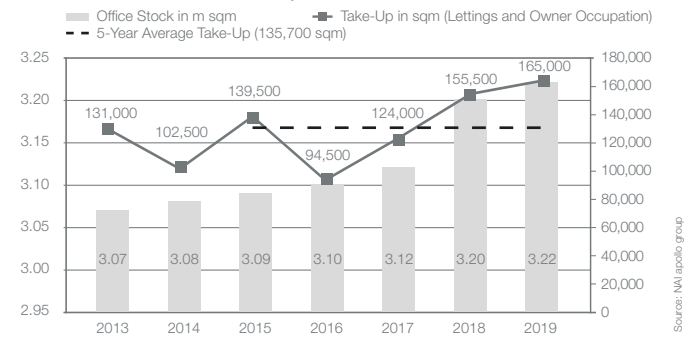
### Rents

In 2019 the realised prime rent in Essen remained at the previous year's level of €15.00/sqm. Nevertheless, the attainable prime rent is significantly higher at €16.00/sqm and becomes due in good locations in the city centre, on the southern edge of the centre, and in Rüttenscheid. On the other hand, the average rent fell by 3.4 % to €10.94/sqm during 2019. The main reason for this is that, as the supply reserve continues to decline, increasingly poorer quality space is being rented at lower prices.

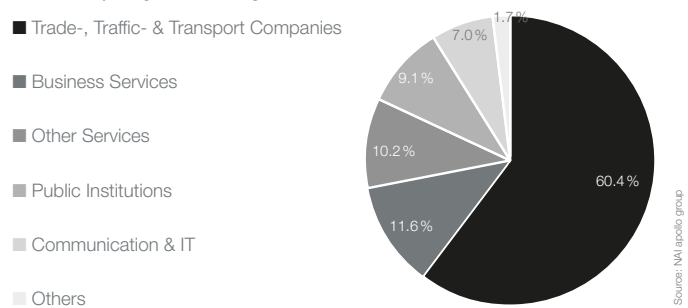
### Outlook

Office space take-up is again expected to be at a healthy level in 2020 owing to the sustained demand. However, it is doubtful that the record letting volumes of previous years can be repeated because of the low supply reserve.

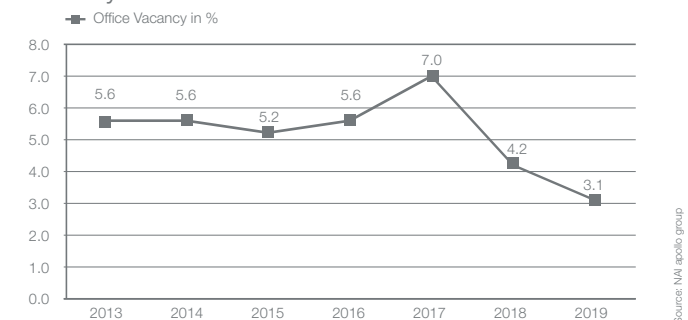
### Office Stock & Take-Up



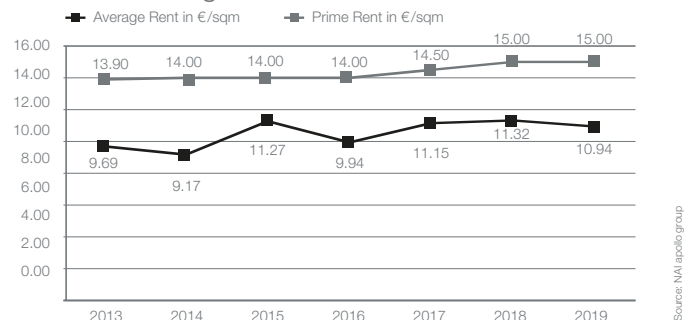
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

- 132-136, Alfredstraße by HOCHTIEF AG for 15,800 sqm
- RWE Platz by RWE AG for 15,000 sqm
- 2, Theodor-Althoff-Straße by Karstadt for 8,000 sqm



## OFFICE LETTINGS & OWNER-OCCUPIERS DORTMUND

### Space take-up

The market for office space in Dortmund (including the Airport office market zone in Holzwickede) ended 2019 with take-up by tenants and owner-occupiers of 94,500 sqm. Compared to the previous year (2018: 79,500 sqm), the overall result increased by around 19 %. Furthermore, the take-up figure also exceeded the mid- and long-term averages. This development is primarily attributable to a strong revival in the lettings performance, which increased by 19 % to 78,500 sqm. This is deemed to be extremely positive given the shortage of vacancies and the moderate economic development. Owner-occupiers accounted for 16,000 sqm or a share of about 17 %, which is above the Dortmund average of 14 %.

As in the previous year, the lettings performance benefited from public sector activity on the office market. The City of Dortmund again signed the two largest lease contracts, with around 3,550 sqm to be used by the business development department at 2 Kurfürstenstraße and 3,400 sqm allocated to the property office at 7 Kronenburgallee. CUBION acted as broker in the second of these deals. However, "trade-, traffic- & transport companies" accounted for the largest percentage of take-up with a share of about 26 %. "Public institutions" and "other services" were next, with almost equal shares of about 20 %.

### Supply & vacancies

As expected, the vacancy rate fell further in 2019. Available office space currently amounts to about 63,000 sqm, which equates to a vacancy rate of only 2.1 %. This is 0.1 percentage points lower compared to the previous year. Around a third of the available space corresponds to quality standards that fall somewhat short of user requirements. Project developments are not expected to bring any relief to the situation for the time being. For example, only 7 % of the space completed in 2019 (around 38,000 sqm) is still available and 83% of completions expected for 2020 (approx. 36,500 sqm) has already been pre-let.

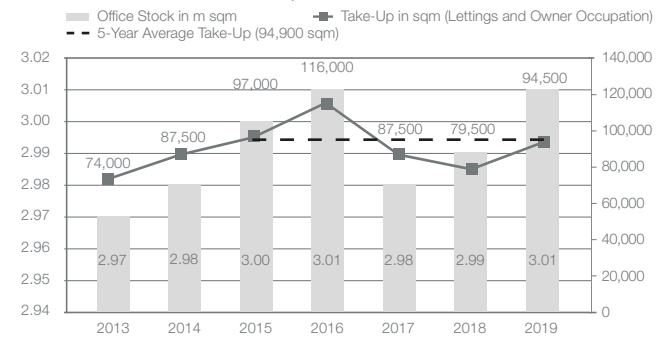
### Rents

The prime rent increased by a further 7.6 % year-on-year in 2019 and now stands at €15.60/sqm. This level of rent is possible to attain in new high-quality building developments in the city centre, but also in some existing properties. Moreover, rents well above this level are paid for some premium spaces. The average rent for the entire market increased by a further 10.6 % to €11.13/sqm, driven up by the current market conditions.

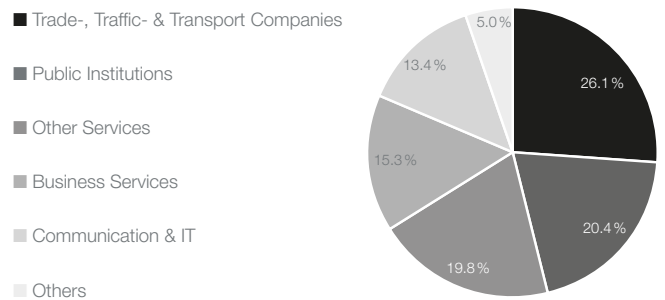
### Outlook

Space take-up is expected to be lower in 2020 because of the limited availability of space, provided that this is not compensated for by an increased number of contract signings in project developments. Accordingly, the supply reserve will continue to fall or remain at the same level and rents will keep on rising, with no change in sight.

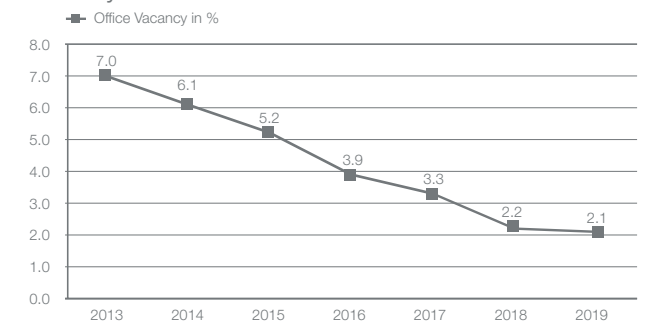
### Office Stock & Take-Up



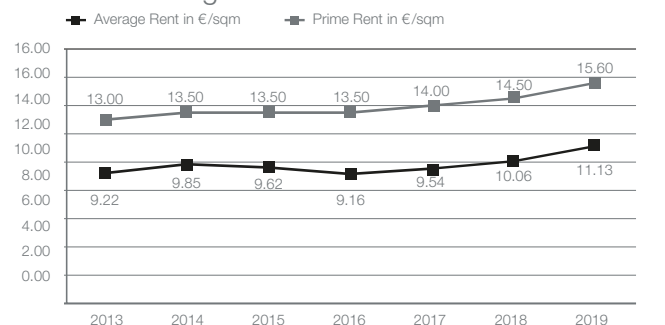
### Take-Up by Industry



### Vacancy Rate



### Prime- & Average Rent



### Top 3 Take-Up

1. 2-8, Grüne Str. by City of Dortmund for 3,550 sqm
2. 7, Kronenburgallee by City of Dortmund for 3,400 sqm
3. 96-100, Westfalendamm by Materna for 2,350 sqm



## OFFICE INVESTMENT RHINE-NECKAR

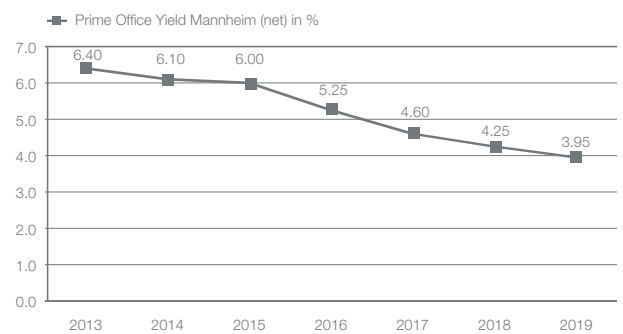
### Transaction volume & yield

Commercial property in the Rhine-Neckar metropolitan region was again in big demand during 2019. This was reflected by the high transaction volume, which was in line with the previous year's level, as well as the further yield compression in the different asset classes. In 2019, the commercial property market in the Rhine-Neckar metropolitan region generated a transaction volume of around €980m. Office properties accounted for around €275m. In Mannheim, which represents the most important office market in the Rhine-Neckar metropolitan region, the prime yield for office investments again fell significantly over the course of the year by 30 basis points to 3.95 %. An even sharper decline by as much as 40 basis points was registered in Heidelberg, where the prime yield now stands at 4.10 %. Prime yields in the regional centres of Mannheim and Heidelberg are therefore 0.70 to 1.45 percentage points above the comparative values of the top seven locations.

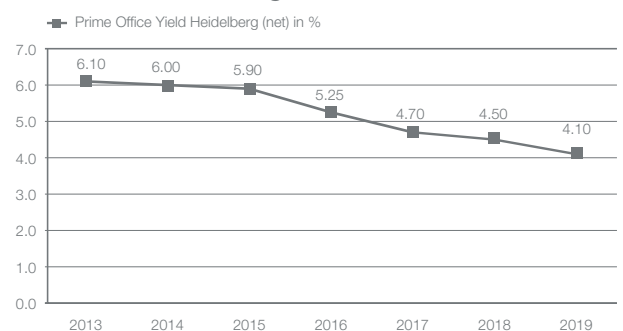
### Investor type & origin

In addition to the Mannheim, Heidelberg and Ludwigshafen regional centres, some large-scale office transactions were also registered in so-called "C" cities in the region. An above-average number of development areas and refurbishment properties changed hands. The most active buyer groups tended to be local project developers and players already familiar with the market. In addition, there was increased activity from international buyers, some of whom entered the market in this region for the first time. Owing to the positive fundamental economic data of the Rhine-Neckar region combined with the still favourable financing environment, Mannheim and Heidelberg should continue to generate considerable investor interest. With that in mind, the outlook for 2020 is that yields will continue to decline and an above-average transaction volume will again be achieved.

### Prime Yield Mannheim



### Prime Yield Heidelberg



### Top 3 Transactions

1. 4-6, Speyerer Straße, Heidelberg by Tristan Capital Partners for €64,000,000
2. VISTA, Bensheim by S-Immobilienvermögen Pforzheim-Carl for €21,060,000
3. Walzmühle, Ludwigshafen by Dream Global for 16,600,000

# OFFICE LETTINGS & OWNER-OCCUPIERS MANNHEIM

## Space take-up

The Mannheim market for office space grew slightly in 2019. Take-up by tenants and owner-occupiers reached 71,000 sqm, which was marginally above the previous year's figure (2018: 68,000 sqm). Around 57,000 sqm was attributable to the lettings market, which was about 27 % above the previous year's level (2018: 44,000 sqm). In particular, the increase in lease contracts in the >1,000 sqm segment contributed to a significant rise in the lettings performance during the second half of 2019 compared to the previous year. The biggest lettings in 2019 included the rental of around 6,200 sqm by Hays in "LOKSITE" and of 5,900 sqm by BAHAG AG in "Turbinenwerk Mannheim". However, the biggest deal in terms of take-up concerned the construction of IBU Campus Mannheim for use by Internationaler Bund (IB), with around 10,000 sqm of office space. As a result of this major deal, "science & education" also dominated the industry ranking with 14,500 sqm of space, followed by "consulting, marketing & research" with 9,900 sqm and "trade" with 9,300 sqm.

## Supply & demand

In 2019, the vacancy rate rose by 0.7 percentage points to 4.6 %. Most vacancies are concentrated in the northern and southern commercial areas of the city. Around 18,000 sqm of office space was completed in 2019. In 2020, completions are expected to rise to 71,000 sqm, primarily owing to new developments around Mannheim Central Station (former Post site and Glückstein quarter) as well as Mannheim Eastsite. However, this will not expand the supply of space on the rental market owing to the removal of space from the office market as well as owner-occupier projects. In this respect, moderate net absorption and a further slight fall in office vacancies is to be expected by the end of 2020.

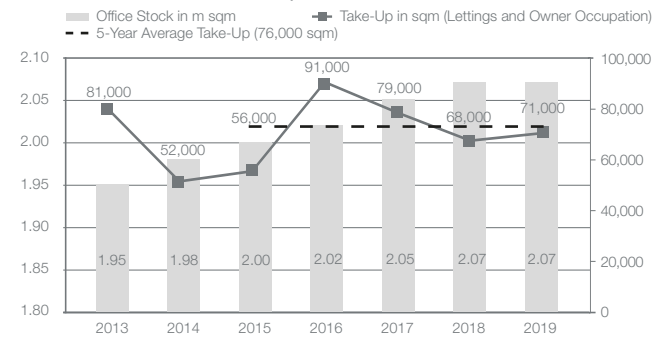
## Rents

Rental prices increased further in Mannheim owing to large-scale deals in new projects in the Glückstein quarter and the prevailing shortage of modern stock in good locations. The prime rent has now reached €18.50/sqm, an increase of 2.8 % over the previous year. The average rent increased by as much as 8.5 % to €14.00/sqm.

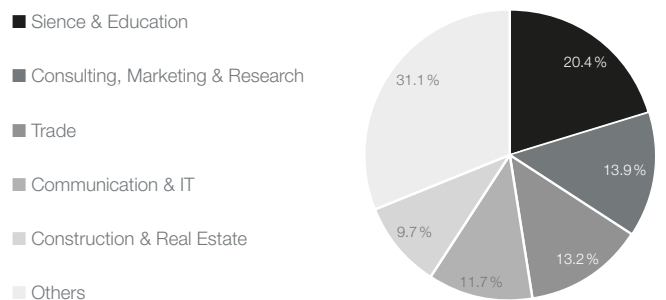
## Outlook

The active demand for modern office space in Mannheim will continue unabated. The larger supply of suitable spaces in project developments will have a positive impact on the market. Overall, office space take-up is forecast to be in the region of the 2019 figure or slightly above. As a result, rents should continue to rise.

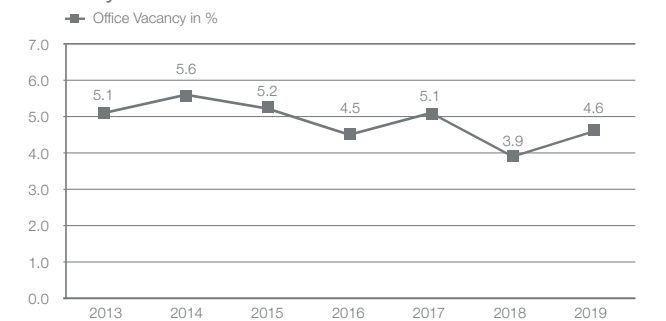
## Office Stock & Take-Up



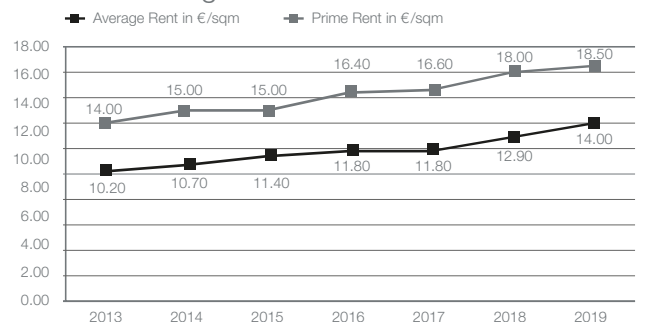
## Take-Up by Industry



## Vacancy Rate



## Prime- & Average Rent



## Top 3 Take-Up

1. New Owner-occupier building IBU Campus Mannheim by IB-Internationaler Bund for 10,000 sqm
2. New building LOKSITE by Hays AG for 6,200 sqm
3. Turbinenwerk Mannheim by BAHAG AG for 5,900 sqm

# OFFICE LETTINGS & OWNER-OCCUPIERS HEIDELBERG

## Space take-up

The Heidelberg market for office space achieved a new record result for 2019. Space take-up by tenants and owner-occupiers amounted to 69,000 sqm, almost doubling the previous year's figure (2018: 35,000 sqm). The mid-term average was also exceeded by almost a third. The record result was largely driven by the three biggest contracts of the year, which accounted for almost 70 % of total take-up in Heidelberg. These included the office project of urban development company GGH for Stadtwerke Heidelberg with 28,400 sqm as well as the rental of 12,500 sqm by Sparkasse Heidelberg GmbH and of approx. 6,700 sqm by Verivox. Owner-occupiers accounted for a relatively high share of 32,000 sqm in 2019, primarily owing to the Heidelberg Stadtwerke project. The pure lettings volume of 37,000 sqm is in line with the long-term average. However, an insufficient supply of office space available for occupancy at short notice in central locations prevented a higher lettings volume from being realised. The big deals also ensured that "public institutions" topped the industry ranking, ahead of "banking, financial services & insurances".

## Supply & demand

Despite the slightly higher completion volume, the vacancy rate was virtually unchanged at 2.9 % by the end of 2019 (2018: 2.8 %), equating to total vacancies of 29,000 sqm. Centrally located office premises with a good fitout standard in the mid-price segment are in particularly short supply. Space with short-term availability is still almost entirely concentrated in the commercial areas of the city (Rohrbach-Süd, Wieblingen, Pfaffengrund). In 2019, office stock increased by approx. 28,000 sqm to 1.01 million sqm (2018: 982,000 sqm). A further 58,000 sqm is expected to be completed in 2020, but most of the space is already pre-let. On the supply side, the situation is not expected to improve until 2021 at the earliest.

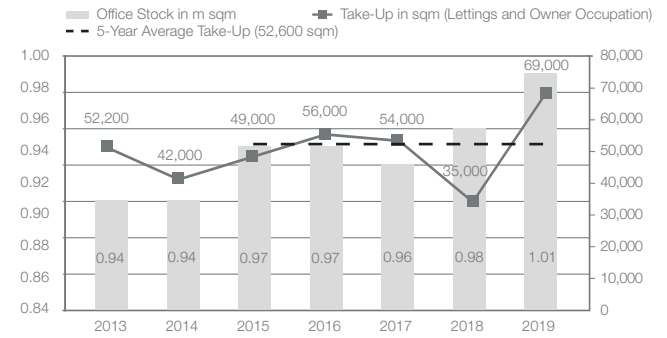
## Rents

Supply shortages and the completion of several large deals close to the prime rent brought about a further significant increase in the average rent in Heidelberg. The rate has now reached €14.00/sqm, which is 11.1 % higher than in the previous year. The prime rent increased by 7.7 % to €16.70/sqm and is obtained in new construction projects in Heidelberg's Bahnstadt.

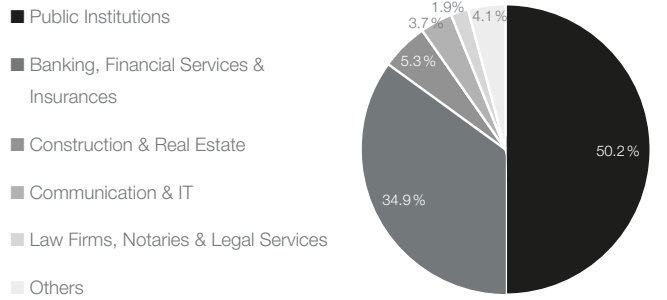
## Outlook

Demand remains consistently high on the Heidelberg office space market, and the 2020 lettings performance is therefore expected to be in line with the previous year. The shortage of space in the mid-price segment continues to be a limiting factor. However, further deals in new developments around Heidelberg Central Station will again have a positive effect on rental prices.

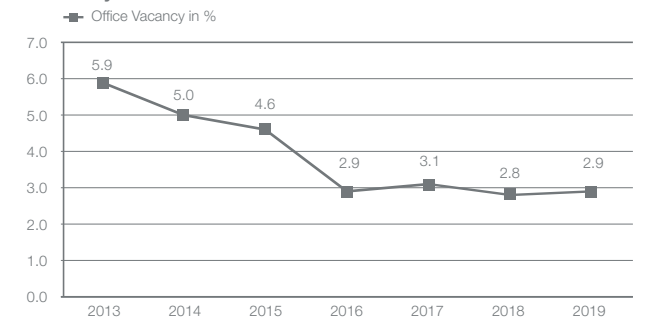
## Office Stock & Take-Up



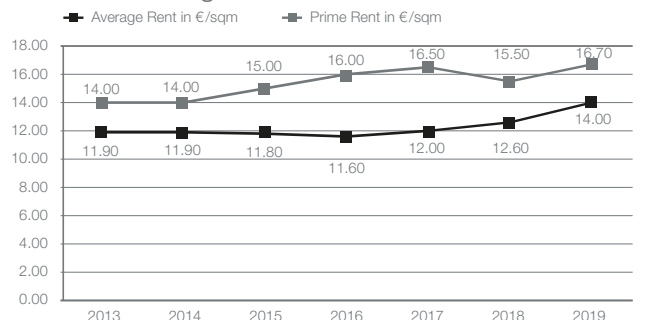
## Take-Up by Industry



## Vacancy Rate



## Prime- & Average Rent



## Top 3 Take-Up

1. New building 26, Alte Eppelheimer Straße by Stadtwerke Heidelberg for 28,400 sqm
2. New building 8, Europaplatz by Sparkasse Heidelberg GmbH for 12,500 sqm
3. New building Sky-Angle, 21 Max-Jarecki-Straße by Verivox for 6,700 sqm



## HAMBURG

apollo real estate Hamburg GmbH & Co. KG  
Kevin Korts  
Willy-Brandt-Straße 23-25 20457 Hamburg  
Phone number: + 49 (0) 40 - 808 10 41-15  
info@nai-apollo.de www.nai-apollo.de

## MUNICH

apollo real estate GmbH  
Thilo Hecht  
Unsöldstraße 5 80538 München  
Phone number: + 49 (0) 89 - 21 547 130 - 0  
info@nai-apollo.de www.nai-apollo.de

## FRANKFURT AM MAIN

apollo real estate GmbH & Co. KG  
Chartered Surveyors  
Martin Angersbach  
Schillerstraße 20 60313 Frankfurt am Main  
Phone number: + 49 (0) 69 - 970 505 - 0  
info@nai-apollo.de www.nai-apollo.de

## DUSSELDORF

imovo GmbH  
Knud Schaaf  
Schanzenstraße 102 40549 Düsseldorf  
Phone number: + 49 (0) 211 - 909 966 - 0  
info@imovo.de www.imovo.de

## STUTTGART

IMMORAUM GmbH Real Estate Advisors  
Roman Herdt  
Uhlandstraße 14 70182 Stuttgart  
Phone number: +49 (0) 711 - 252 89 91 - 0  
info@immoraum.de www.immoraum.com

## COLOGNE/BONN

Larbig & Mortag Immobilien GmbH  
Uwe Mortag  
Theodor-Heuss-Ring 23 50668 Köln  
Phone number: + 49 (0) 221 - 998 997 - 0  
info@larbig-mortag.de www.larbig-mortag.de

## ULM

Objekta Real Estate Solutions GmbH  
Matthias Kralisch  
Neue Straße 75 89073 Ulm  
Phone number: + 49 (0) 731 - 407 026 - 70  
info@objekta-realestate.de www.objekta-realestate.de

## RUHR AREA

CUBION Immobilien AG  
Markus Büchte  
Akazienallee 65 45478 Mülheim an der Ruhr  
Phone number: +49 (0) 208 - 97 067 - 0  
kontakt@cubion.de www.cubion.de

## MANNHEIM – Heidelberg

STRATEGPRO Real Estate GmbH  
Michael Christ  
Mollstraße 41 68165 Mannheim  
Phone number: +49 (0) 621 - 729 265 - 0  
info@strategpro.de www.strategpro.de



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