



Partners Germany

Facts and Figures

Office Investment and Office Lettings Market
Germany 2024

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Learn more about the varied opportunities offered to you by NAI Partners Germany 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 Berlin, Frankfurt am Main, Munich, Cologne/Bonn, Stuttgart, in the Ruhr area, Mannheim, Erfurt and Ulm. As a partner of NAI Global, we offer our customers access to more than 5,800 real estate specialists in over 325 partner offices worldwide.

Strong partnership – throughout Germany

NAI Partners Germany 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, valuation, research, corporate finance, healthcare, investment management and asset management.

NAI Partners Germany – your partner for Germany

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Frankfurt am Main – NAI apollo

Stuttgart – Immoraum Real Estate Advisors

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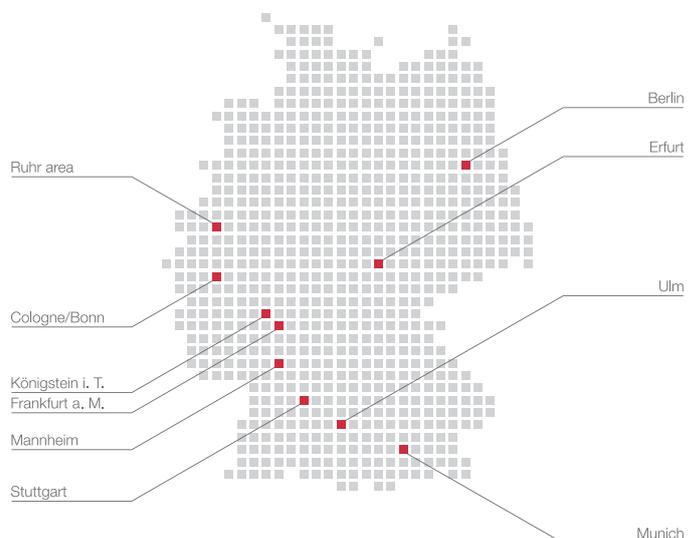
Ulm – Objekta Real Estate Solutions

Ruhr Area – CUBION Immobilien

Mannheim/Heidelberg – STRATEGPRO Real Estate

Erfurt – STRATEGPRO Real Estate

Königstein – Blackbird Real Estate



NAI PARTNERS GERMANY – 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 NAI Partners Germany 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 5,800 real estate specialists worldwide through its role as the exclusive partner of NAI Global in Germany.

BBI Immobilien GmbH

Here at BBI, we are passionate about linking innovative and digital working concepts. Over the last 25 years, BBI has grown into one of the leading property agencies in Berlin. Standing still is not an option for us. We are always looking ahead to the next thing. Owing to the latest technologies and based on our vast experience, we are able to support our customers in every way. Whether you want to buy or sell, we can help you navigate Germany's most important property market. Of course, digitisation is not an end in itself. Rather, we believe it enables us to provide the best possible consulting service that is also completely transparent. Over the years, we have never lost our focus on the most important aspect: the people behind the business; our buyers and sellers. The 35 members of our team are as individual as our national and international clientele. We are happy to assist our customers in an open and approachable way, and always on an equal footing.

CUBION Immobilien AG

For 19 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 p.a., 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 investment transaction business is usually not publicly announced. We think like entrepreneurs, act ethically and provide robust statements. Our team consists of young performers and industry veterans, creating a balanced mix essential for our continued success.

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/Leverkusen region. We have built up a broad knowledge base through the negotiation of over 1,600 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 and 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. Since March 2023, we have been present at another location for our customers with STRATEGPRO Real Estate Erfurt GmbH in the state capital of Thuringia. The focus of both companies is on office and commercial space brokerage. 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 business partners and friends of NAI Partners Germany, ladies and gentlemen,

In 2023, we once again had to overcome major challenges in Germany: High inflation, rising interest rates, escalating geopolitical tensions with wars and conflicts in Ukraine and the Middle East, and intense debates on issues such as climate change and immigration policy contributed to a sense of uncertainty, dampening overall sentiment and consumer confidence.

This was in line with the economic trend: In 2023, Germany entered a slight recession of 0.1%. Forecasts for 2024 paint a similarly sober picture. The Ifo Business Climate Index anticipates a mixed year, with the latest surveys also noting a slight improvement in sentiment. The unemployment rate was 6.1% in February 2024, 0.4 percentage points higher than a year earlier.

Let's not deceive ourselves: another challenging year lies ahead. However, there are signs of hope: the decreasing inflation rate (February 2024: 2.5%, the lowest since June 2021) and declining energy prices offer reasons for optimism.

The real estate industry was particularly affected by the overall situation in 2023, we don't want to hide that. We observed a further decline in transaction activity, which was most evident in the office market. Investors held back, influenced by factors such as planning uncertainty, the shift towards remote work, evolving space requirements, and ESG considerations. Investments in 2023 were approximately 76% lower than the previous year. In the rental market, take-up for office spaces in the top seven cities decreased by 28%.

Nevertheless, we look towards the future with cautious optimism, as an economic improvement is expected for the second half



of 2024, potentially leading to a moderate recovery in take-up. NAI Partners Germany has established itself as a strong partner network demonstrating good success across all asset classes in 2023. With over 200 specialists operating in ten locations, particularly focusing on office, logistics/industrial, residential, and retail sectors, our experts are committed to delivering competent, personal, and goal-oriented advice.

Let's remain hopeful for 2024!

We now invite you to dive into our market report. If you wish to delve deeper into specific aspects of the market report, don't hesitate to reach out to our experts at NAI Partners Germany. They will be happy to answer your questions.

Andreas Krone SIOR

Managing Director
apollo real estate GmbH & Co. KG

Dr. Marcel Crommen MRICS

Managing Director
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	Erfurt
Population (30.09.2023)	3,770,800	1,905,519	1,505,814	773,117	632,592	629,567	1,086,138	335,321	129,532	593,941	586,344	316,562	162,513	214,802
Change Y-o-Y (in %)	1.1%	1.1%	0.0%	0.1%	0.1%	0.2%	0.2%	-0.1%	0.7%	0.1%	0.4%	0.3%	0.7%	0.1%
Purchasing Power Index 2024 (to Germany = 100)	94.9	106.5	128.8	109.9	109.5	114.9	104.5	108.4	108.0	91.1	94.6	97.9	96.9	94.6
Change Y-o-Y (in Points)	+0.9	-0.4	-0.1	-0.3	-0.8	-0.4	-0.3	-0.5	-1.2	+0.2	-0.3	-0.4	+0.9	+0.5
Unemployment Rate (01 / 2024)	9.7	8.0	4.9	6.2	5.6	7.6	9.0	7.0	4.3	11.9	10.8	7.7	4.9	6.5
Change Y-o-Y (in %-Points)	+0.6	+0.7	+0.4	+0.3	+0.7	+0.8	+0.3	+0.2	+0.4	+0.7	+0.5	+0.4	-0.1	+0.5
Employees subject to Social Security Contributions (06/2023)	1,680,090	1,061,830	960,350	628,840	442,250	454,540	613,600	192,820	102,330	263,350	266,970	198,610	98,710	112,680
Change Y-o-Y (in %)	1.6%	2.2%	2.2%	2.0%	1.6%	2.4%	1.1%	2.1%	1.6%	2.1%	1.2%	1.8%	2.7%	-0.7%

Source: Federal Employment Office, GfK GeoMarketing GmbH, State Statistical Offices, NAI Partners Germany

Economy & Population

The German economy in 2023 faced a challenging mix, including persistently high inflation, rising interest rates, and declining orders. Consequently, the Gross Domestic Product (GDP) not only decreased by 0.3% in the fourth quarter (adjusted for price, season, and calendar effects) but also declined by 0.1% for the entire year. Current forecasts for 2024 indicate a continuation of this trend. As of February 2024, the German government expects GDP growth of only 0.2%. The outlook for economic development remains mixed, as reflected in the ifo Business Climate Index. At 85.5 points in February, it remains at a low level but has slightly improved compared to the previous survey. However, both the ifo Economic Clock and the Heatmap of the ifo Economic Surveys remain in crisis territory. The current situation is also impacting the labor market. Accordingly, the unemployment rate climbed above the 6% mark at the beginning of 2024, reaching 6.1% in February

2024, which is 0.4 percentage points higher than the previous year's value.

At the end of 2023, Germany had an estimated population of around 84.7 million, according to an initial estimate by the Federal Statistical Office. Compared to the previous year, the population increased by approximately 0.3 million people. This increase corresponds to the average of the years 2012 to 2021 but is noticeably lower than the increase in 2022, which amounted to 1.1 million. The population growth continues to be driven by net migration (the balance between arrivals and departures), estimated at 680,000 to 710,000 people for 2023, which is well above average in the long term. However, natural population growth was characterized by a birth deficit (the balance between births and deaths) of at least 320,000 people, higher than the period from 1991 to 2021.

Office Property Market in 2023

	Berlin	Hamburg	Munich	Frankfurt	Stuttgart	Dusseldorf	Cologne	Bonn	Ulm	Dortmund	Essen	Mannheim	Heidelberg	Erfurt
Office Stock (in sqm)	20,020,000	14,430,000	21,320,000	11,530,000	8,450,000	7,520,000	8,470,000	4,100,000	910,000	3,156,000	3,247,000	2,170,000	1,120,000	1,672,000
Change Y-o-Y	↔	↗	↔	↔	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗
Take-Up (in sqm)	539,000	447,000	461,000	357,800	159,000	238,000	195,000	91,300	14,000	85,500	116,000	68,000	28,000	22,000
Change Y-o-Y	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↗	↘	↗
Prime Rent (in €/sqm)	44.50	34.50	48.00	47.50	35.00	40.00	33.67	23.67	19.00	16.55	16.50	22.00	18.00	12.50
Change Y-o-Y	↗	↗	↗	↗	↗	↗	↗	↘	↗	↗	↘	↔	↗	↗
Average Rent (in €/sqm)	28.70	20.90	24.00	24.30	17.30	21.20	17.20	13.55	11.30	11.96	11.75	15.70	14.20	9.80
Change Y-o-Y	↗	↗	↘	↗	↘	↗	↗	↗	↗	↘	↘	↗	↘	↗
Vacancy Rate (in %)	5.0	4.4	6.0	9.0	5.2	8.4	4.3	3.1	4.5	4.7	5.8	6.4	4.0	4.4
Change Y-o-Y	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↘	↗	↘	↘
Prime Yield (in %)	4.40	4.45	4.40	4.50	4.50	4.50	4.50	4.85	5.10	4.95	4.95	4.85	4.95	5.60
Change Y-o-Y	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗
Transaction Volume Office (in m €)	1,030	730	680	280	290	190	340	n/a	n/a	Ruhr Area 430		n/a	n/a	n/a
Change Y-o-Y	↘	↘	↘	↘	↘	↘	↘	n/a	n/a	↘		n/a	n/a	n/a

Source: NAI Partners Germany

OFFICE INVESTMENT GERMANY

The German office investment market is showing the sharpest decline in transaction activity among all asset classes in 2023. In addition to the generally difficult market situation in commercial investments, issues such as the future importance of office space in the context of home office, changed space requirements, ESG, and the noticeable drop in demand for space as a result of the economic downturn have further increased investor reluctance. As a result, total office property investments of only €5.52 billion were recorded in 2023. This means that the result is not only 76% below the previous year and 79% below the average of the last ten years (2013–2022: €26.2 billion), but it also represents the weakest result since 2009 (€4.40 billion).

The sharp decline in office transaction volume is due to a significant reduction in both individual and portfolio deals. With a minus of €12.1 billion to now around €5.22 billion, the absolute decrease in individual deals is significantly higher, but for portfolios, a minus of €5.57 billion represents a percentage reduction of 95%, which clearly exceeds the corresponding development for individual deals. This is accompanied by a reduction in the number of saleable lot sizes. Assets below the €50 million threshold are currently the focus of trading activities.

Foreign players invested only €0.75 billion in German office properties in 2023, which means that the market share has not only fallen to 13.6%, but also marking the first time in a long while it fell

below the one billion euro mark. German investors have reduced their exposure by 56% to €4.77 billion.

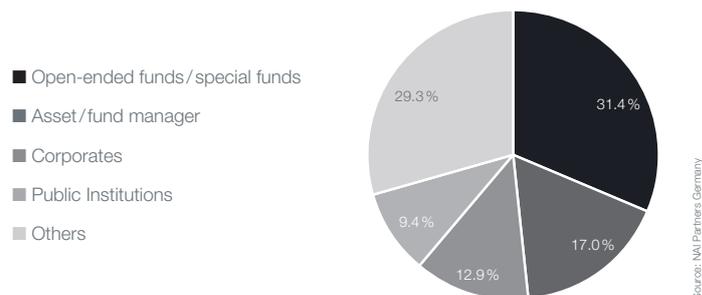
The prime yield for office properties showed an increase both in the course of the year and in the last quarter in all the cities considered. On average for the top seven markets, the increase amounts to 95 basis points, resulting in an average prime yield of 4.45%. In the secondary locations, the peak values range from 4.85% in Bonn to 5.60% in Erfurt. The unweighted average of these locations represents an increase of around 70 basis points.

The position for office properties continues to be challenging for the year 2024. Economic developments are expected to provide only minor impetus for the rental markets for the time being. At the same time, due to the ongoing discussion regarding the future space requirements of companies, users often seek to reduce the size of the rental space. In addition to a further increase in sublease space, this favors the continuation of the vacancy increase, which in turn slows down investments. However, the need for revitalisation of older assets, including in the context of ESG and refinancing issues, will lead to portfolio adjustments and increase the range of investment opportunities. All in all, the office investment market is likely to be somewhat more buoyant in 2024 than in 2023. Nevertheless, the investment result will be far below average in a long-term comparison.

Office Transaction Volume in Germany



Office Transaction Volume by Investor Type 2023



OFFICE LETTINGS & OWNER-OCCUPIERS IN GERMANY

The office leasing markets in Germany were particularly affected by the economic downturn in 2023. In addition to declining orders in the German economy and falling domestic consumption, this continues to reflect high inflation, rapidly rising interest rates, supposedly political uncertainty, leading to a seemingly unpredictable planning horizon. Accordingly, a large number of searches on the letting markets have been postponed or extended for the time being. In addition, there are new workplace models, e.g. in the course of home office, the further development of which is awaited for the time being or a concrete implementation usually leads to a smaller space requirement. Large-scale leases have been significantly smaller than expected. In total, for all 14 cities considered in this report, the lowest take-up to date has been recorded, which is even below the corona year 2020. In absolute terms, take-up of 2.82 million sqm (2022: 3.84 million sqm) was recorded here, which is more than a quarter below the average of the previous five years (2018–2022: 3.90 million sqm).

The reduction in space take-up was particularly pronounced in the comparison of the city clusters in the top seven locations (Berlin, Hamburg, Munich, Frankfurt am Main, Cologne, Dusseldorf and Stuttgart). With around 2.40 million sqm covered, the result for 2023 is approx. 28% below the previous year and 6% below the previous low of our time series in 2020. At the other seven locations considered, Bonn, Essen, Dortmund, Mannheim, Heidelberg, Ulm and Erfurt, the decrease compared to 2022 is around 18% to 424,800 sqm. Only Mannheim and Erfurt recorded slight increases in take-up compared to the previous year, while all other locations were characterized by declines, some of which were significant.

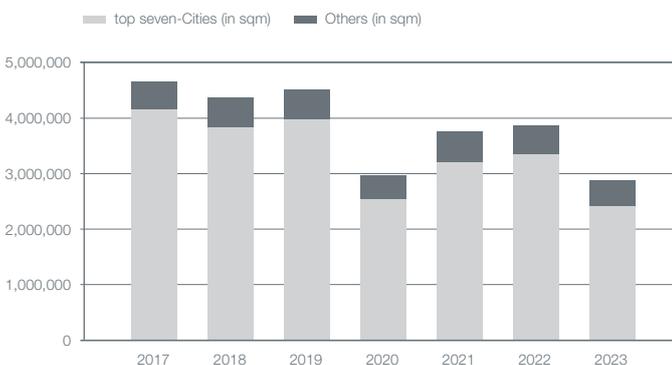
Munich (including the surrounding area) remains the largest office market in Germany, with 21.32 million sqm (GFA) of office space

at the end of 2023. This is followed by Berlin (20.20 million sqm), Hamburg (14.43 million sqm), Frankfurt (11.53 million sqm), Cologne (8.47 million sqm), Stuttgart (8.45 million sqm) and Dusseldorf (7.52 million sqm) according to gif MF-G. For the two Ruhr area cities of Essen and Dortmund, the combined portfolio adds up to 6.40 million sqm. There is 4.10 million sqm of office space available in Bonn. Mannheim and Heidelberg (Rhine-Neckar) together account for 3.29 million sqm, Erfurt for 1.67 million sqm and Ulm for 0.92 million sqm.

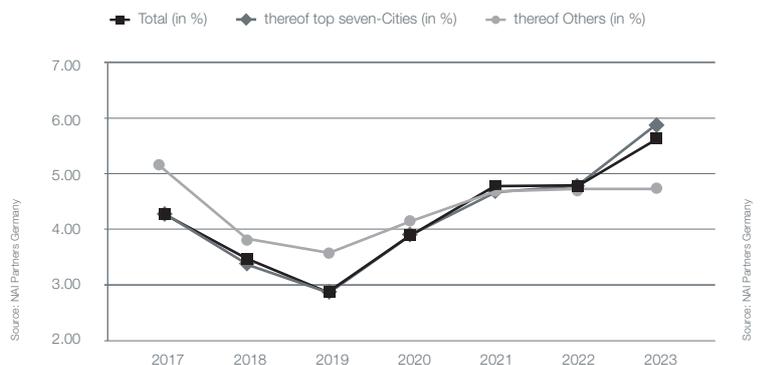
The negative take-up development in 2023 was reflected in a significant increase in the availability of space. Across all markets, the vacancy rate increased by 1.0 percentage points year-on-year to 5.7% in 2023 – a record level since 2017. Accordingly, at the end of 2023, around 6.16 million sqm of office space was available for short-term rental in the market (2022: 5.06 million sqm). For the top seven, the vacancy rate is 5.40 million sqm or 5.9% (2022: 4.7%). For secondary locations, the vacancy rate is 4.7% (2022: 4.6%)

The outlook for the German economy remains noticeably clouded at the beginning of 2024. As a result, demand for occupiers in the office markets will be subdued. With a possible economic improvement, which is not expected until the second half of the year at the earliest, even a moderate recovery in take-up becomes realistic. Until then, major deals will remain the exception. Rather, on the one hand, contract extensions and downsizing of space will shape market activity. On the other hand, leasing decisions will be made under the aspects of new workplace models and the fulfilment of sustainability standards as well as location criteria. The “flight-to-quality” will therefore continue in 2024, which led to significant rent increases in 2023, especially for prime rents.

Space take-up in Partner Cities



Vacancy Rates in Partner Cities





OFFICE INVESTMENT BERLIN

Transaction volume & yields

The annual result in the Berlin office investment market clearly reflects the overall weak investment activity in the German real estate market. In 2023, a total of €1.03 billion in office investments were recorded, which represents a decline of around 75% compared to the previous year (2022: €4.17 billion) and also noticeably falls short of the medium-term average (2018–2022: €5.54 billion) by over 81%. One of the largest transactions of the year was the sale of the “Beam” office project from Signa Holding to Kühne Holding.

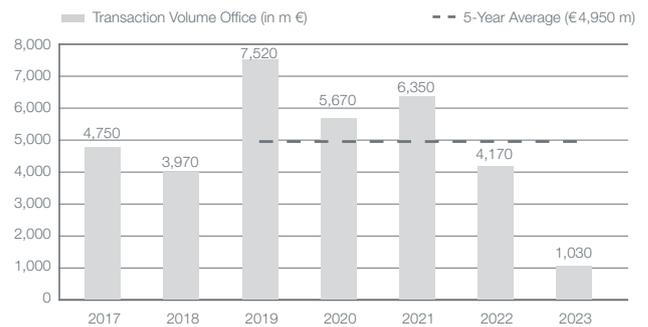
In the course of 2023, the pricing phase persisted in the context of increased financing conditions and led to a further increase in prime office yields in Berlin. At the end of the year, this stands at 4.40% for prime office properties, an increase of 95 basis points compared to the previous year.

Investor Type & Origin

While the investor distribution in 2022 was characterized by a high proportion of foreign investors, the picture in 2023 is quite different. Domestic investors are clearly in the spotlight this year, accounting for around 88% of the investment volume, while the share of foreign players has fallen to around 12%. This shift is less due to a dynamism in domestic market actors but primarily due to a stronger reluctance of foreign investments. In terms of investor types, “open-ended funds/special funds” and “corporates” represented the most important buyer groups in 2023.

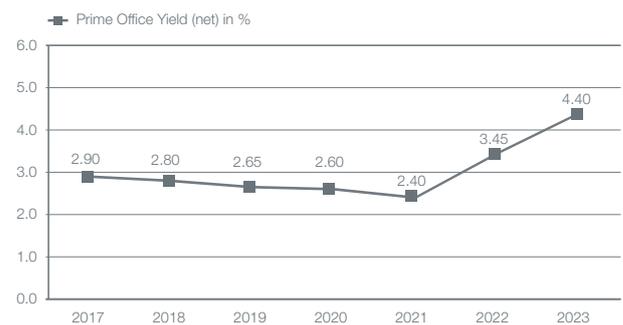
The challenging market situation will continue in the coming months for the time being, partly due to the subdued economic development. With the risk-free interest rate now falling and the decline in real estate lending rates in anticipation of expected ECB interest rate cuts, there is likely to be a moderate revival in transaction activity in Berlin in the second half of the year.

Transaction Volume



Source: NAI Partners Germany

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. Beam by Kühne Holding
2. Mynd by Commerz Real
2. Spichernstrasse 2 by Macquarie for approx. €95,000,000

OFFICE LETTINGS & OWNER-OCCUPIERS BERLIN

Space take-up

In 2023, the Berlin office market was noticeably impacted by the slowdown in market momentum as a result of the economic downturn, resulting in the weakest result since 2013. Overall, take-up by tenants and owner-occupiers amounted to just 539,000 sqm, which means that the result is around 28% below the previous year's figure (2022: 747,000 sqm) and a third below the average of the last ten years (2013–2022: 800,800 sqm). There was no year-end rally in the final quarter. With a take-up of 111,000 sqm, it was even the weakest quarter in the entire year.

The fact that Berlin was once again able to position itself as the strongest office market within the top seven locations despite the significant decline in take-up is primarily due to small and medium-sized deals. These have prevented an even greater market slump. In the segment above 10,000 sqm only three deals were recorded. This is only half as many as in the previous year. These include the expansion of the Bundeskriminalamt (Federal Criminal Police Office) with 25,000 sqm, the lease by the Boston Consulting Group with 19,000 sqm and the signing of the Marzahn-Hellersdorf Jobcenter for around 13,000 sqm. In other cases, the uncertainty of the market situation has led to large-volume contracts being extended or lease decisions being postponed. Once again, "public institutions" have played a significant role in Berlin's office market, as evidenced by the major deals recorded. This sector is responsible for a market share of 20.0% in 2023. This is followed by "consulting, marketing & research" with 15.0% and "communication & IT" with 14.5%.

Supply & Demand

The noticeable decline in leasing activity combined with a significant increase in sublet space has led to an increase in vacancy, which means that it is once again above the 1.0 million sqm mark. The vacancy rate stood at 5.0% at the end of 2023 and increased by 150 basis points over the course of the year (2022: 3.5%). However, the availability of space is significantly lower, especially within the central prime locations. Here, the supply of vacant, modern and high-quality office space is still relatively scarce.

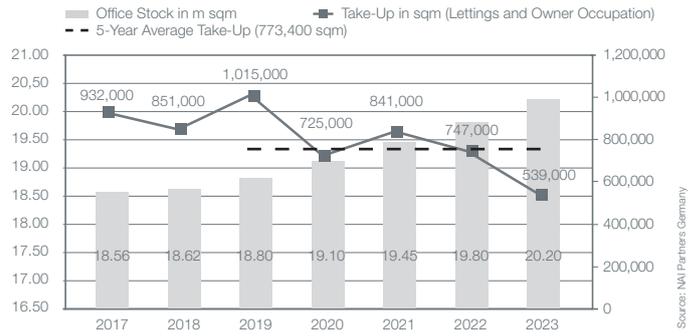
Rents

The existing demand for flexible and modern space in sought-after locations has caused prime office rents in Berlin to rise to a new record level. Prime rent level is marked at €44.50/sqm by year end 2023 which is an increase of €1.00/sqm or 2.3% compared to the highest rent in 2022. Average rents also saw growth (€0.80/sqm or 2.9%), reaching a new record level of €28.70/sqm.

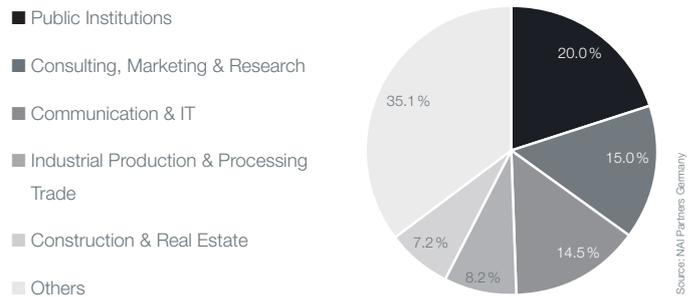
Outlook

In 2024, interest rates, economic and geopolitical situations will continue to be the market-determining factors, suggests that letting activity will remain subdued. The second half of the year could lead to a moderate upturn due to a brightening economic trend. Accordingly, based on current circumstances take-up volume for 2024 as a whole is expected to fall within the range observed in 2023.

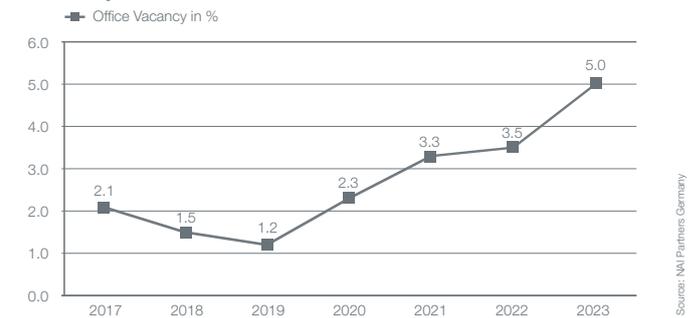
Office Stock & Take-Up



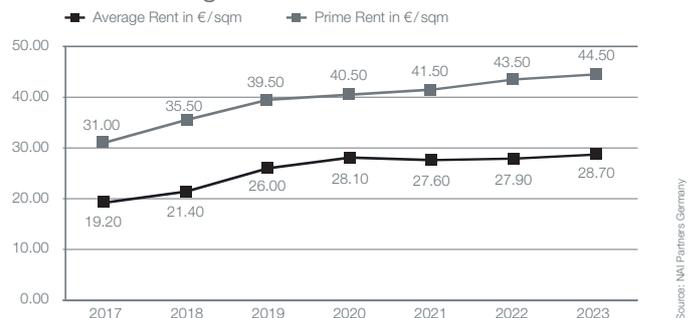
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. Expansion Bundeskriminalamt, Puschkinallee by BI mA for 25,000 sqm (Owner occupation)
2. AP15, Am Postbahnhof 15 by Boston Consulting Group for 19,000 sqm
3. Märkische Allee 171–173 by Jobcenter Marzahn-Hellersdorf for 12,800 sqm



OFFICE INVESTMENT HAMBURG

Transaction volume & yields

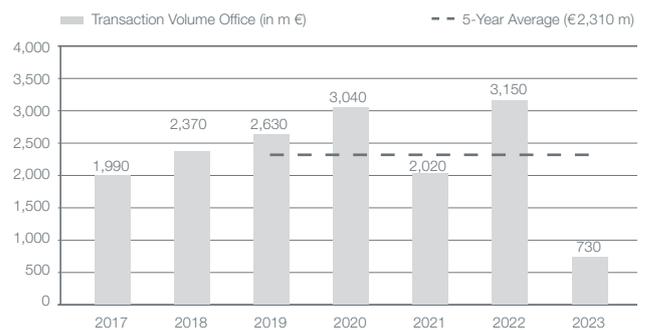
The Hamburg office investment market experienced a sharp slowdown in market momentum in 2023. The lower willingness to buy due to the high level of interest rates has led to a transaction volume of only €730 million. This is three quarters below the record set in 2022 (€3.15 billion). Looking at the past, this represents the second lowest figure after 2009 (€610 million). An even more pronounced market slump was prevented by purchases by the public sector. These include the New Work Harbour, acquired by the Hamburg Port Authority for €157 million, and the Fritz Schumacher Building, which was purchased by the City of Hamburg for €119 million, the two largest transactions of the year. The persistently high level of interest rates, the weakness of the economy and the reluctance of many market players have led to a further increase in prime office yields in Hamburg. Compared to the previous year, an increase of 95 basis points to 4.45% was recorded, which means that the prime yield is above the 4.00% mark for the first time since 2015.

Investor Type & Origin

At around €650 million, office investment activity in Hamburg in 2023 was largely driven by domestic investors. This represents a decrease of 43% compared to the previous year. International investors are showing an even more significant decline. In terms of investor type, the two largest sales have ensured that the “public institutions” are the strongest group of investors with a share of around one third, ahead of “asset/fund managers”.

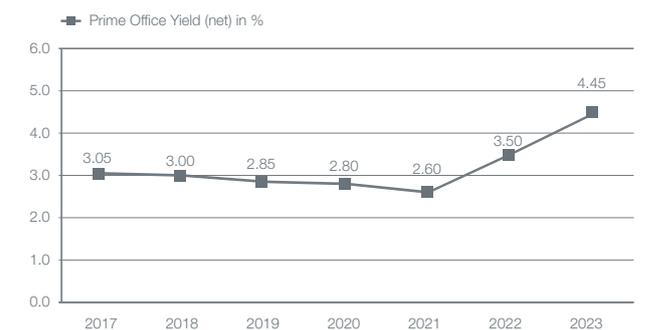
The challenging market conditions will continue to be evident in low office investment activity at the beginning of 2024. Market momentum is not expected to pick up again until the pricing phase has come to an end and a stabilisation of the key framework conditions is foreseeable, probably in the course of the second half of the year.

Transaction Volume



Source: NAI Partners Germany

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. New Work Harbour, Strandkai 1 by Hamburg Port Authority for approx. €157,000,000
2. Fritz-Schumacher-Building, Gänsemarkt 36 by City of Hamburg for approx. €119,000,000
3. Brooktorkai 20 by Berenberg for approx. €75,000,000

OFFICE LETTINGS & OWNER-OCCUPIERS HAMBURG

Space take-up

In 2023, the Hamburg office market was unable to escape the economic downturn coupled with the general discussion about the future importance and need for office space. Office take-up by tenants and owner-occupiers amounted to 447,000 sqm, which was around a fifth below the previous year's volume (2022: 552,000 sqm). At the same time, the current result is at its lowest level in the last 11 years. Although the take-up increased slightly in the final quarter, the market was characterized by strong caution. This has been reflected in extensions as well as significantly longer periods in rental processes.

Among the largest deals in 2023 are the owner-occupier purchase of the New Work Harbour with 22,200 sqm by the Hamburg Port Authority, the lease of 17,200 sqm by RTL/Grüner & Jahr in the former Marquard & Bahls building and the signing of the Fielmann Group in the "Quartier 21 Offices" project for around 15,000 sqm. As a result of larger deals, the "public institutions" were able to generate the highest share of total take-up at 15.9%. This is followed by "communication & IT" and "industrial production & processing trade". Hamburg's office market continues to be dominated by lettings in inner city locations, which together account for more than 50% of take-up.

Supply & Demand

The weak take-up dynamics combined with a noticeably higher proportion of subleased spaces have increased the availability of space in the Hamburg office market. Although there is an increase of 0.5 percentage points compared to the previous year, the vacancy rate in the Hanseatic city stood at 4.4% at the end of 2023, the lowest among the top seven cities. Modern CBD spaces continue to be in high demand, while old buildings in peripheral locations are finding fewer users. The trends of 2023 are expected to continue into 2024, indicating a further increase in vacancy rates.

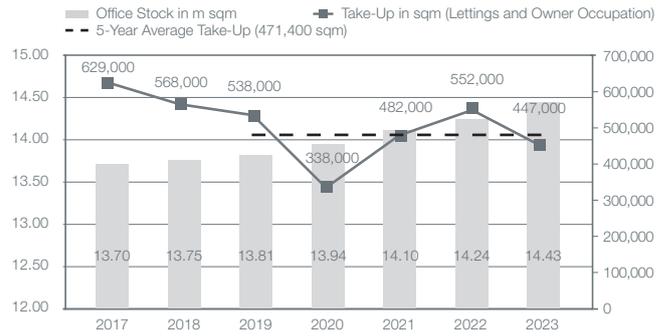
Rents

The strong demand for high-quality office space in central locations has led to a further increase in prime rents in Hamburg. As of Q4 2023, this amounts to €34.50/sqm, an increase of €1.00/sqm compared to the previous year (2022: €33.50/sqm). The average rent reflects the rather subdued overall demand. Compared to the previous year's level (2022: €20.80/sqm), this remained almost stable at €20.90/sqm.

Outlook

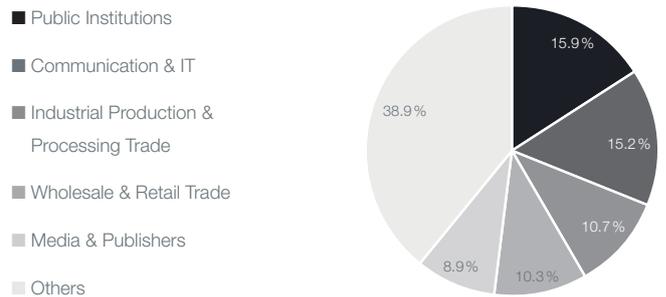
With the current dim economic outlook, Hamburg's office market in 2024 is likely to continue the development of 2023. Thus, a below-average take-up volume is likely to be accompanied by a further increase in vacancies as well as a moderate increase in prime rents and a stable average rent.

Office Stock & Take-Up



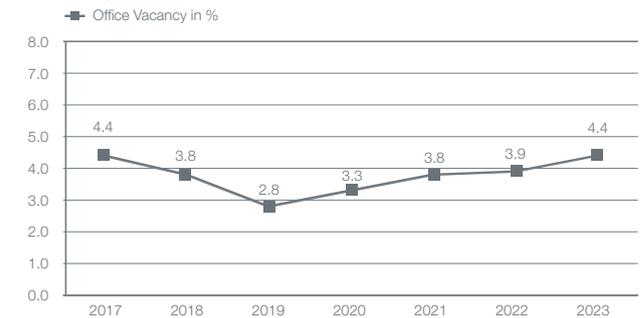
Source: NAI Partners Germany

Take-Up by Industry



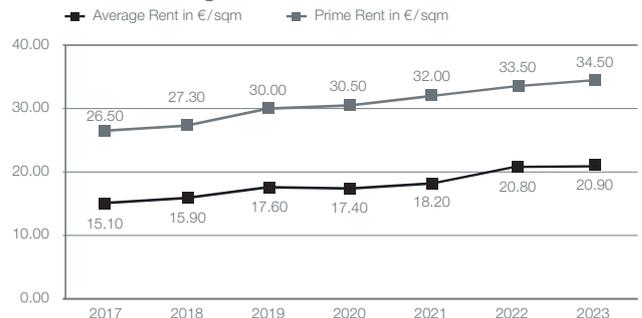
Source: NAI Partners Germany

Vacancy Rate



Source: NAI Partners Germany

Prime- & Average Rent



Source: NAI Partners Germany

Top 3 Take-Up

1. New Work Harbour, Strandkai 1 by Hamburg Port Authority for 22,200 sqm (Owner occupation)
2. Former Marquard & Bahls Building, Shanghaiallee/Stockmeyerstrasse/Koreastrasse 7 by RTL/Grüner & Jahr for 17,200 sqm
3. Quartier 21 Offices, Fuhlsbüttler Strasse 387–399 by Fielmann Group for 15,000 sqm



OFFICE INVESTMENT MUNICH

Transaction volume & yields

The Munich office investment market, like the other top seven locations, was characterized by a significant market downturn in 2023. The rapid rise in interest rates, coupled with the ongoing purchase price determination, has led to an office investment volume of only €680 million. This not only represents a decline of 73% compared to the previous year (€2.51 billion), but it is also the weakest result since records began. Even the volume following the financial crisis in 2008 was higher (€720 million).

Despite the sharp slowdown in transaction momentum, a number of major sales were recorded on the Munich office investment market. The 50% stake in the Bruckmann Quartiers acquired by Athos, Vinzent with the Kommunale Unfallversicherung Bayern as the buyer, and the Zielstatt office building acquired by Sonar Real Estate are among them.

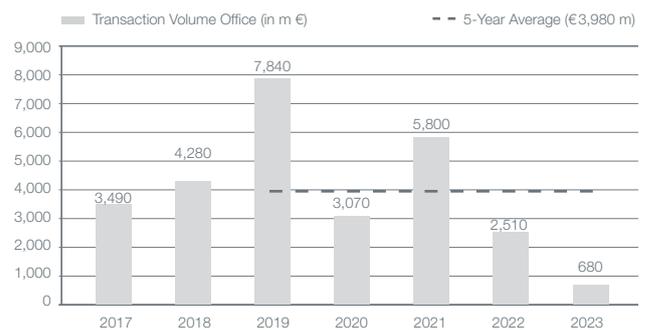
Due to the current situation on the office investment market, the rise in yields continued unabated. Over the course of 2023, the prime office yield in Munich increased by 95 basis points to 4.40%.

Investor Type & Origin

Investment activity in 2023 is almost entirely attributable to domestic investors. International investors have only invested a double-digit million amount. Among the types of investors, “asset/fund managers” present themselves with the highest investment volume. This is followed by “private investors/family offices” and “open-ended funds/special funds”.

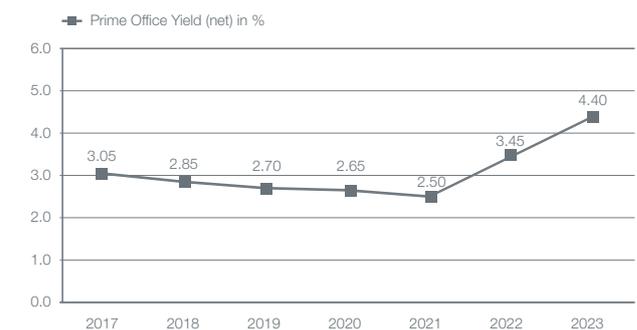
Market activity on Munich’s office investment market will continue to be challenging at the beginning of 2024. Purchase price determination continues unchanged and other asset classes have a more interesting risk-return profile. However, as 2024 progresses, more momentum is likely to return to the market.

Transaction Volume



Source: NAI Partners Germany, Neben-Städte/er umfasst das Marktgemeinde Umrandungsmärkte

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. 50% of Bruckmann Quartier by Athos for approx. €125,000,000
2. Vinzent by Kommunale Unfallversicherung Bayern for approx. €110,000,000
3. Zielstatt office building by Sonar Real Estate for approx. €90,000,000

OFFICE LETTINGS & OWNER-OCCUPIERS MUNICH

Space take-up

In 2023, the Munich office market was significantly impacted by the overall economic downturn and the associated reluctance on the part of tenants. With 461,000 sqm of office space take-up by tenants and owner-occupiers, the worst result for the Munich office market in 20 years has been recorded. Accordingly, the previous year (739,000 sqm) and the average of the last ten years (746,700 sqm) were both 38% undercut. This massive market slump is due to the fact that rental decisions have increasingly resulted in extensions or, if rentals have been made, they have been significantly smaller. The final quarter proved to be the strongest in terms of take-up (137,000 sqm) and at the same time showed the lowest decline compared to the previous year. Among other things, the lease of 9,700 sqm from the Technical University of Munich at LOC46 in Planegg and the signing by Agile Robots with 9,300 sqm at Isarwork, both of which took place in the last three months of the year, contributed to this. The biggest take-up generator continues to be the start of owner-occupier construction of the new DGB building at the Schwanthalerstrasse with 10,500 sqm of office space. Overall, there has been a clear shift towards smaller deals, which have increased their market share as a result. Among the sectors with the highest demand, "industrial production & processing trade" with 18.2% and "communications & IT" with 17.4% market share are closely tied.

Supply & Demand

The high reluctance to conclude new leases, coupled with a reduction in space in some cases, an increase in sublet offers and a high rate of vacant space completions, has led to a noticeable increase in the number of office vacancies in Munich. Well over 1.2 million sqm are available for short-term rental on the market, which corresponds to a vacancy rate of 6.0%. Over the last 12 months, it has increased by 1.3 percentage points. Spatial differences in the availability of space remain unchanged: low vacancy rates in central locations, which increase significantly towards the periphery. In view of the economic development and the expected completion of further vacant spaces, the increase in vacancies is expected to continue in the coming months.

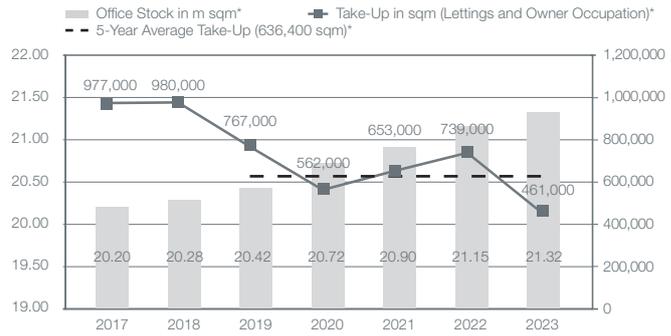
Rents

The trend of seeking higher-quality office spaces has also continued in the Munich market. In the case of high-quality office space in central locations, which was already available in limited quantities, user demand remained high in 2023, which cannot be met with the existing supply. In some cases, leases in the range of €50/sqm have been recorded. As a result, the prime rent has reached a new record high of €48.00/sqm. The average rent at the end of the year was €24.00/sqm, slightly below the level of 2022 (€24.30/sqm).

Outlook

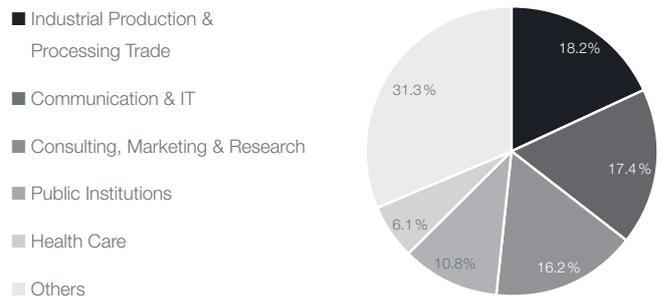
The challenging situation on Munich's office market will continue in 2024, although a moderate recovery could be seen in the course of the year. The continued focus on premium space in central locations is likely to continue to have a positive impact on prime rents.

Office Stock & Take-Up



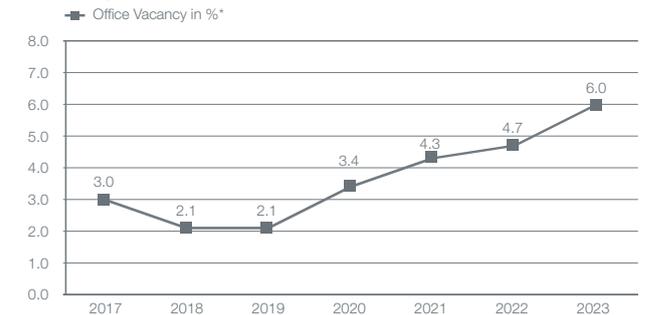
Source: NAI Partners Germany; *according to GfA, including surrounding communities

Take-Up by Industry



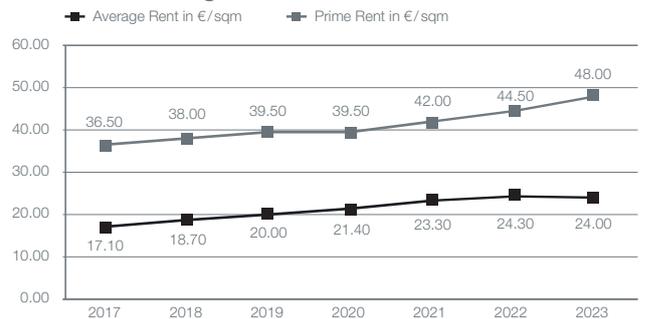
Source: NAI Partners Germany

Vacancy Rate



Source: NAI Partners Germany

Prime- & Average Rent



Source: NAI Partners Germany

Top 3 Take-Up

1. DGB Gewerkschaftshaus, Schwanthalerstrasse 64 by DGB Deutscher Gewerkschaftsbund/IG Metall for 10,500 sqm
2. LOC46, Lena-Christ-Strasse 46, Planegg by TU Munich for 9,700 sqm
3. Isarwork, Pliinganser Strasse 134 by Agile Robots for 9,300 sqm



OFFICE INVESTMENT FRANKFURT

Transaction volume & yields

The Frankfurt office investment market was characterised by a particularly sharp decline in market activity in 2023. In total, office investments of only €280 million were recorded – the worst result since the survey began in 2007. In addition, it not only represents less than a tenth of the previous year’s figure (2022: €3.52 billion), but also misses the previous low point from 2009, when only €660 million were registered in the aftermath of the financial market crisis, by more than 50%. The acquisition of Kö10 and Kö12 of the Kö-Campus in Eschborn by Advenis for €70 million is the only deal above the €50 million mark.

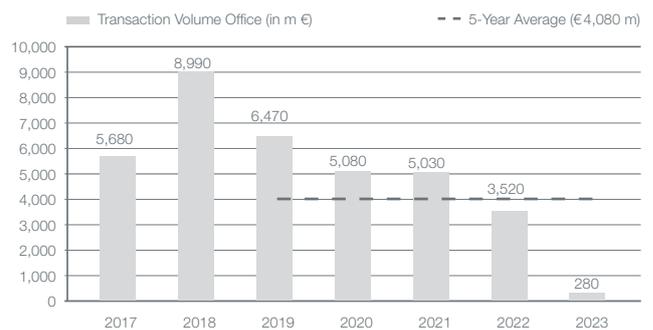
The pronounced reluctance to buy, coupled with the sharp rise in financing costs and the greater attractiveness of other investment opportunities, has led to a further increase in the prime yield for Frankfurt office properties. At the end of 2023, it stood at 4.50%, an increase of 100 basis points over the last 12 months.

Investor Type & Origin

German investors were significantly more present on the Frankfurt office investment market in 2023 and are responsible for more than half of the investment activity. In addition, France, for example, has a noticeable market share. In terms of investor types, “open-ended funds/special funds” are followed by equity-rich “private investors/family offices”.

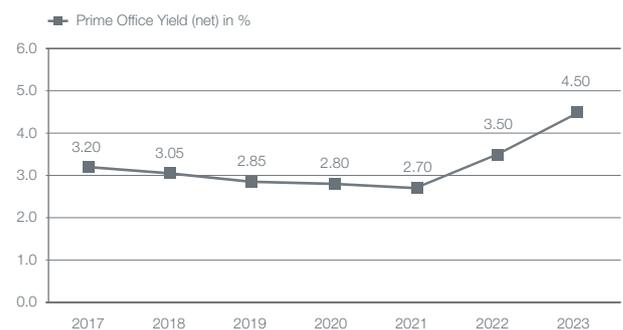
The challenging market situation on the Frankfurt office investment market will continue in the first quarters of 2024. In addition to the ongoing pricing phase, the weak performance of the letting market as a result of the economic downturn, the discussion about the actual need for space on the part of occupiers and the consequences of ESG transaction activities will further inhibit activity. A slight recovery in the Frankfurt office investment market is therefore not expected until the second half of the year.

Transaction Volume



Source: NAI Partners Germany, including Eschborn and OF-Kaiserhof

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. Kö10 + Kö12, Eschborn by Advenis for approx. €70,000,000
2. Former Postbank-Building, Eckenheimer Landstrasse 240–246 by City of Frankfurt
3. Frankenallee 2–4 by Hamburg Team Investment Management

OFFICE LETTINGS & OWNER-OCCUPIERS FRANKFURT

Space take-up

The Frankfurt office market, including Eschborn and Offenbach-Kaiserlei, had to face a complex set of challenges including an economic slump, high inflation and interest rates, as well as supposedly political uncertainty, and as a result recorded a renewed decline in take-up. For the entire year of 2023, space take-up by tenants and owner-occupiers amounted to 357,800 sqm, which is about a quarter below the long-term average (2013–2022: 482,000 sqm). In recent history, only 2020 performed worse with 329,200 sqm.

Towards the end of 2023, the trend has been confirmed that medium-sized spaces between 2,500 and 10,000 sqm are gaining momentum. On the other hand, deals above 10,000 sqm and below 2,500 sqm decreased compared to the previous year. With the leasing of more than 12,400 sqm by Deutsche WertpapierService Bank at Kölner Strasse 5 in Eschborn, the largest deal of the year was recorded in the final quarter of 2023. However, throughout the year, only two leases above the 10,000 sqm mark were recorded, including the leasing of approximately 12,400 sqm by an industrial company at "The Move Orange" in Gateway Gardens. With the largest deal of the year, "banking, financial services & insurances" maintained their market-shaping position with a take-up of 78,800 sqm. This is followed by "industrial production & processing trade" with 41,700 sqm and "construction & real estate" with 34,900 sqm. Among the sub-markets, the banking sector dominates the office market with 46,900 sqm of take-up.

Supply & Demand

The market-active vacancy rate on the Frankfurt office market appears to have stabilised in the final quarter. As of 31st December 2023, it amounted to around 1.04 million sqm or 9.0%. Compared to the previous year, this represents an increase of 175,000 sqm or 1.5 percentage points. For 2024, the completion of approximately 130,000 sqm with a pre-letting rate of 68% is currently expected. In 2024, the vacant office space stock that can be rented at short notice is likely to remain at a high level. Among other things, this will be due to a renewed increase in the number of sublet spaces on offer, which now account for 14% of the market-active vacancy.

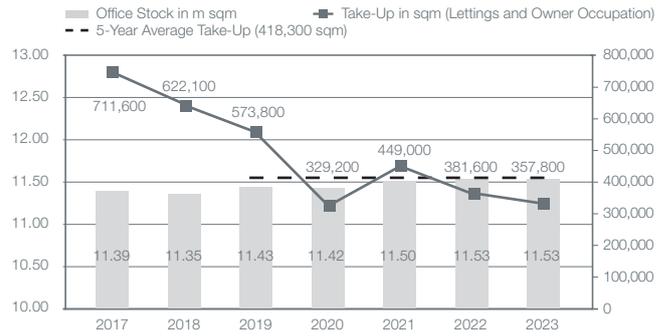
Rents

At the end of 2023, high-priced deals in inner-city projects caused the prime rent level to rise to €47.50/sqm. With the higher willingness to pay for modern and ESG-compliant properties in central locations, prime rents are likely to settle at this level. The average rent, on the other hand, has fallen as a result of rentals in less central locations and is now quoted at €24.30/sqm.

Outlook

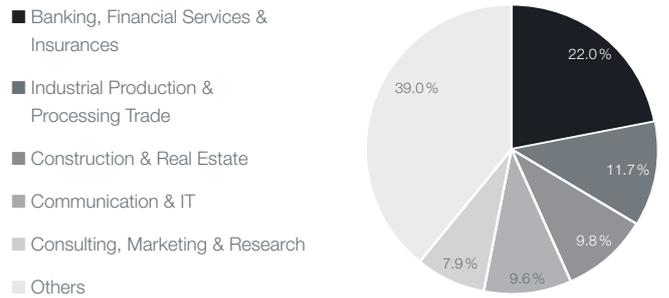
The first quarters of 2024 will also be characterized by reluctance on the part of potential tenants on the Frankfurt office market. With a possible economic upward trend, there could be an improvement in the second half of the year. Nevertheless, the increase in vacancies will continue for the time being and the prime rent is expected to remain at the current level.

Office Stock & Take-Up



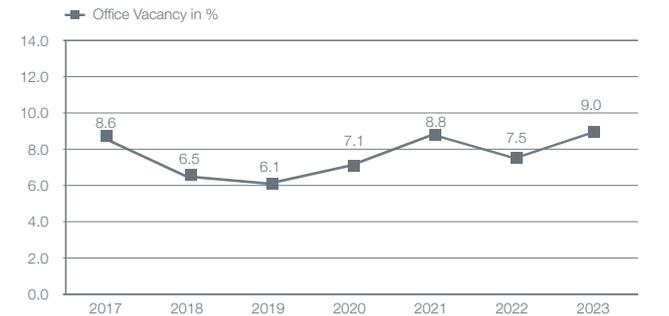
Sources: NAI Partners Germany, including Eschborn and OF-Kaiserlei

Take-Up by Industry



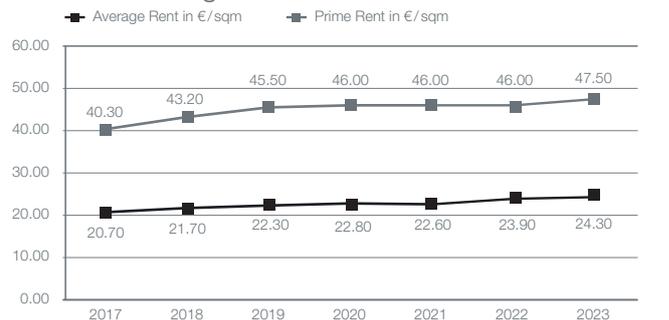
Sources: NAI Partners Germany

Vacancy Rate



Sources: NAI Partners Germany

Prime- & Average Rent



Sources: NAI Partners Germany

Top 3 Take-Up

1. Kölner Strasse 5, Eschborn by Deutsche WertpapierService Bank for 12,400 sqm
2. The Move Orange, De-Saint-Exupéry-Strasse 3–7 by Corporate for 12,400 sqm
3. Timber Pioneer, Europa-Allee 92 by Universal Investment for 9,600 sqm



OFFICE INVESTMENT STUTTGART

Transaction volume & yields

The current market conditions, including high interest rates and the disparity between buyers and sellers regarding real estate prices, have resulted in the sharpest decline in transactions on the Stuttgart office investment market since 2011. In 2023, a total of around €290 million in office investments were recorded. Compared to the previous year, the transaction volume thus fell by 74% (2022: €1.1 billion). The market was weaker only in the aftermath of the financial market crisis, when the volume was between €100 million and €200 million (2009–2011).

One of the few sales recorded is the Calwer Passage, which was sold by Ferdinand Piëch Holding to Versicherungskammer Bayern for a three-digit million amount. In addition, Lakeward purchased the Rise property for more than €40 million.

The low market momentum and the continued inhibition of willingness to pay have led to a further increase in prime office yields in Stuttgart. This has increased by 90 basis points compared to 2022 to 4.50% at the end of 2023.

Investor Type & Origin

Due to the sale of Calwer Passage, the investor type “insurance/pension funds” dominates the Stuttgart office investment market. They are followed by “asset/fund managers” and “open-ended funds/special funds”. In terms of investor origin, there has been little presence of international players with a market share of less than 15%. Accordingly, German investors are responsible for more than 85% of office transactions.

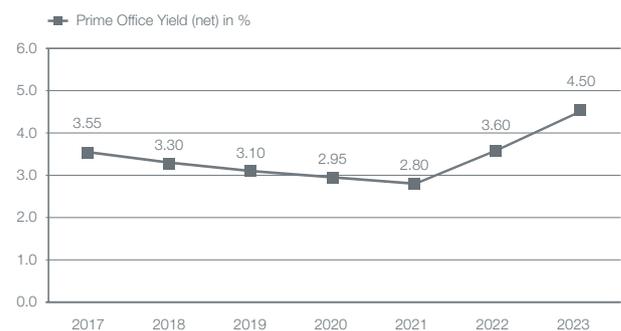
At the beginning of 2024, the market-holding factors persist: high financing costs and a simultaneous discrepancy in price expectations between the supply and demand sides. For the second half of 2024, a moderate market revival is expected under the premise of further convergence in prices and an additional slight decline in interest rates.

Transaction Volume



Source: NAI Partners Germany

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. Calwer Passage by Konzern Versicherungskammer for approx. €150,000,000
2. Rise by Lakeward for €41,000,000
3. Charlottenstrasse 1–3 by State of Baden-Württemberg

OFFICE LETTINGS & OWNER-OCCUPIERS STUTTGART

Space take-up

In 2023, the Stuttgart office market showed a pronounced reluctance to engage in new leasing activities, for which the reasons are primarily due to the difficult overall economic situation. Both the lack of large-scale contracts and a significantly low owner-occupier rate led to a take-up of office space by tenants and owner-occupiers of only 159,000 sqm. Accordingly, the year-on-year decline in take-up amounts to 46% (2022: 296,000 sqm) and 40% compared to the long-term average (2013–2022: 263,500 sqm). The most important deal remains the approx. 7,000 sqm owner-occupier project of Deutscher Apotheker Verlag in Stuttgart-Feuerbach, followed by the leases by Exyte in the Leo Business Campus for approx. 5,900 sqm and by the City of Stuttgart for the vehicle registration office with 5,300 sqm in Löwentorbogen 11. Deals above the 10,000 sqm mark were entirely absent. However, there was an extremely dynamic leasing activity for smaller spaces, which could not offset the decline in take-up in the medium and large space segments. Overall, the number of deals remained within the range of previous years, with “public institutions” and “communication & IT” recording the highest take-up shares.

Supply & Demand

In 2023, new lettings on the Stuttgart office market often involved smaller spaces than before, mainly due to the implementation of new workplace concepts. Additionally, the economic situation has forced some companies to offer unused space as sublease space on the market. As a result, vacancy increased by more than 70,000 sqm to 439,000 sqm during 2023. This corresponds to a vacancy rate of 5.2%, which is 0.8 percentage points higher than the previous year. A pronounced oversupply is primarily present in peripheral locations, while central locations continue to have limited available space.

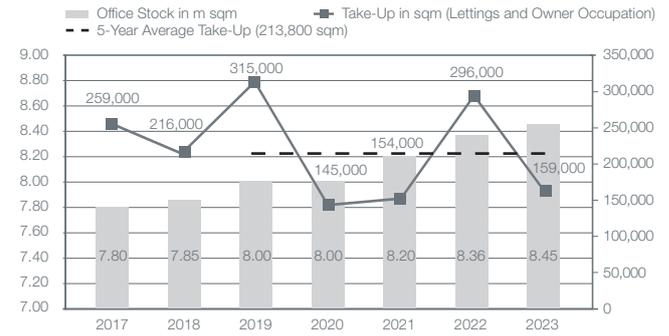
Rents

The trend towards leasing high-quality spaces in the inner-city locations of Stuttgart continued in 2023, driving up prime rents. As of Q4 2023, prime rent reached a new record level of €35.00/sqm, representing an increase of 6.1% compared to the previous year (2022: €33.00/sqm). However, due to leases in peripheral and therefore more affordable locations, average rent decreased to €17.30/sqm (2022: €18.00/sqm).

Outlook

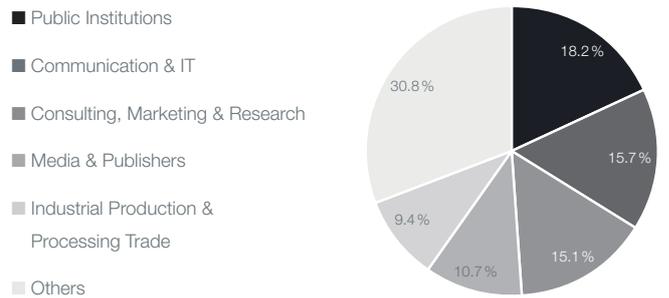
A fundamental improvement in the market situation does not seem likely at the beginning of 2024, as the economic environment and the financing situation remain tense. The Stuttgart letting market is likely to experience a revival only in the aftermath of an economic upturn, but this can only be assumed for a later point of the year at the earliest. However, there are still some major applications on the market, so that sales in 2024 are expected to be slightly higher than in 2023. With regard to further rental development, the strong demand for modern, ESG-compliant office space will have a correspondingly positive effect on prime rents in particular.

Office Stock & Take-Up



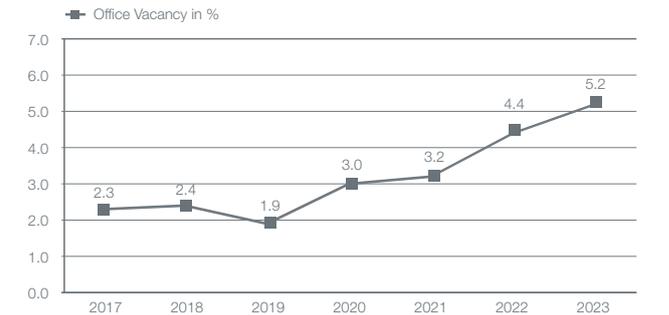
Source: NAI Partners Germany

Take-Up by Industry



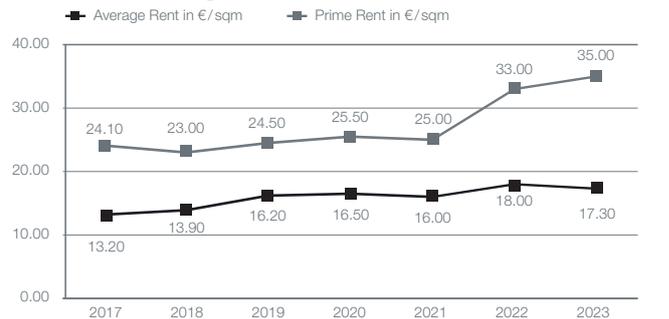
Source: NAI Partners Germany

Vacancy Rate



Source: NAI Partners Germany

Prime- & Average Rent



Source: NAI Partners Germany

Top 3 Take-Up

1. New construction, Maybachstrasse 8 by Deutscher Apotheker Verlag for 7,000 sqm (Owner occupation)
2. Leo Business Campus, Löwentorstrasse by Exyte GmbH for 5,900 sqm
3. Löwentorbogen 11 by City of Stuttgart for 5,300 sqm



OFFICE INVESTMENT DUSSELDORF

Transaction volume & yields

The persistent discrepancy in the price expectations of market players, coupled with very restrained marketing activity, has led to a weak annual result for 2023 on the Dusseldorf office investment market. In total, investments of €190 million were achieved, which is not even a tenth of the previous year's figure (2022: €2.11 billion) and thus clearly reflects the challenging market situation. The long-term average (2013–2022: €1.91 billion) was also clearly missed by 90%. Investment activity was characterized by small-scale deals, with no deal in the three-digit million range recorded. An office building in the new "maxfrei" quarter, which was acquired by Barmenia Krankenversicherung, and the acquisition of Vertikum by AEW are among the major deals of the year.

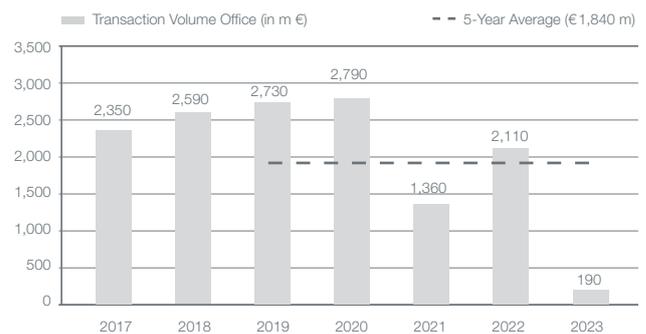
The inhibition of demand, mainly as a result of interest rate developments, has caused prime office yields in Dusseldorf to rise further. As of Q4 2023, this stands at 4.50%, up 90 basis points over the course of the year.

Investor Type & Origin

In contrast to the previous year, domestic investors accounted for the majority of investment activity in 2023, accounting for a market share of almost three-quarters of office transaction volume. In 2022, however, the share of international investors was strongly pushed by the Alstria portfolio, which had a high proportion of Dusseldorf holdings. Among the most active types of investors in 2023 were "open-ended funds/special funds", "insurance/pension funds" and "asset/fund managers".

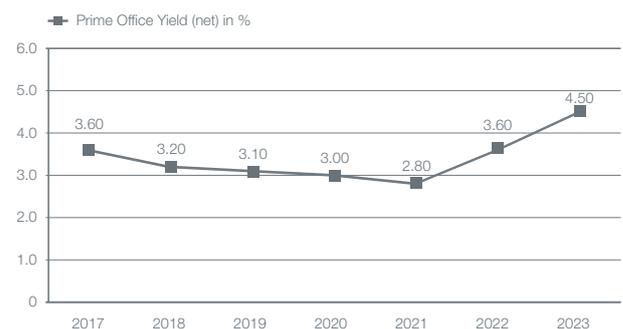
The subdued market momentum in Dusseldorf will continue in the first months of 2024. Transaction activity is expected to recover moderately in the second half of the year due to falling external financing costs and the associated increase in attractiveness compared to other asset classes.

Transaction Volume



Source: NAI Partners Germany

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. Office building quarter maxfrei by Barmenia Krankenversicherung
2. Corneliusstrasse 20–24 by confidential
3. Vertikum by AEW

OFFICE LETTINGS & OWNER-OCCUPIERS DUSSELDORF

Space take-up

The economic downturn has left its mark on the Dusseldorf office market. The take-up by tenants and owner-occupiers recorded for 2023, totalling 238,000 sqm, is not only below that of the corona year 2020, but also represents the weakest result in the last ten years. Compared to the previous year, the current result has decreased by 18.2%. At the same time, the average of the last ten years has been missed by more than a quarter.

A sharper market slump was prevented by a more dynamic second half of the year, which accounted for two-thirds of the annual take-up. In addition to the start of construction of the "Twin Cube" with 27,100 sqm of office space by ÖRAG Rechtsschutzversicherung/Deutsche Rückversicherung, the lease of 10,500 sqm in "Le Coeur" by the law firm Freshfields Bruckhaus Deringer also took place in the last six months of 2023. In addition, however, the letting activity took place primarily in small and medium-sized areas.

The sub-markets with the highest take-up were the central banking and inner-city locations, where more than half of the volume is located. In the industry ranking, "consulting, marketing & research", "industrial production & processing trade" and "banking, financial services & insurances" stand out.

Supply & Demand

The weak take-up dynamics coupled with an increase of sublet space has caused the vacancy rate in the Dusseldorf city area to rise further. The vacancy rate stood at 8.4% at the end of 2023. Compared with the previous year, this represents an increase of 0.3 percentage points. The vacancy rate is well below this average in the highly sought-after central locations, where the free supply of modern office space remains low.

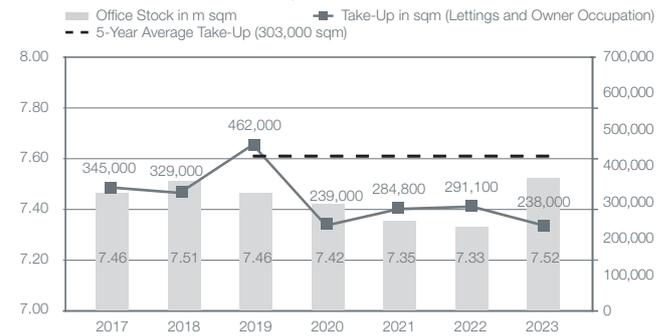
Rents

The most recent high-quality deals in these sub-markets, such as the lease in "Le Coeur", have had an extremely positive effect on prime office rents in Dusseldorf. At €40.00/sqm, a new record was set here in 2023, which is €5.50/sqm above the previous year's figure. In the course of 2023, the average rent increased by around €2.00/sqm to €21.20/sqm.

Outlook

Due to continued challenging economic conditions, the Dusseldorf office market will only moderately start into 2024. However, a possible economic recovery should be accompanied by a slight upturn in take-up. At this point in time, it is expected that 2024 will end at the 2023 take-up level. In addition to an additional increase in vacancies, the focus on modern and central space will shape market activity. The latter will lead to a preservation of prime rents at the current high level.

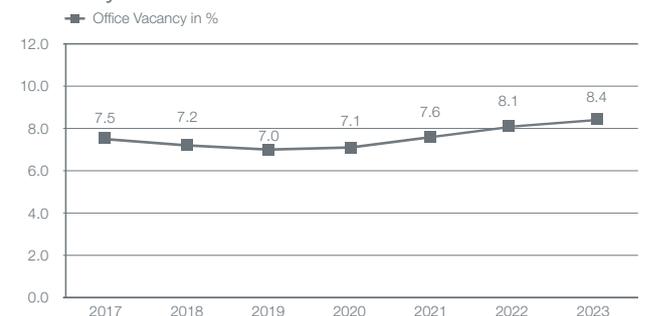
Office Stock & Take-Up



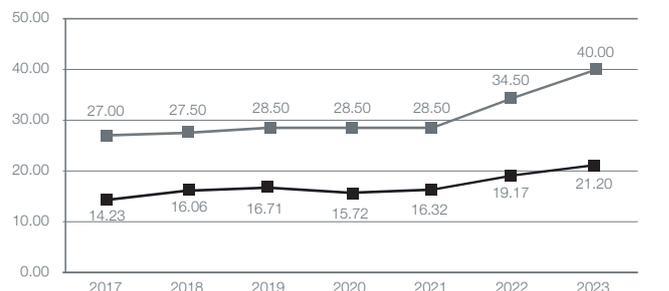
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. Twin Cubes, Heerdter Lohweg 53 by Deutsche Rück Group/ÖRAG for 27,100 sqm (Owner occupation)
2. Le Coeur, Königsallee 35–37 by Freshfields Bruckhaus Deringer for 10,500 sqm
3. Trinkhaus Karree, Königsallee 21–23 by Hengeler Mueller for 9,600 sqm



OFFICE INVESTMENT COLOGNE / BONN

Transaction volume & yields

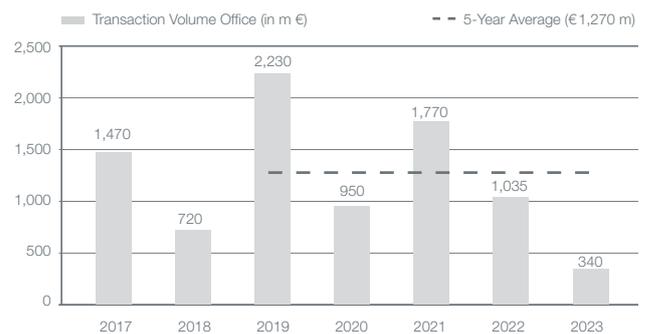
The year 2023 has been challenging for the Cologne office investment market. A transaction volume of around €340 million in office properties was recorded, which is two-thirds below the previous year's figure (2022: €1.04 billion). Within the last ten years, this represents the lowest point. Even if the figures seem sobering at first glance, there was definitely higher activity on the buyer and seller side at the end of the year. Just over a third of all transactions occurred in the last quarter. While in recent years it has sometimes been spectacular portfolio or large individual transactions that have shaped market activity, not a single transaction of more than €100 million was realized in 2023. In the range between €50 million and €100 million, two sales were recorded. One is the Kap am Südkai, which Patrizia purchased for around €65 million. The other is the Güterhaus in Quartier I/D Cologne, which was bought by a family office for around €60 million. As a result of the inhibited market dynamics, the prime yield for first-class office properties in Cologne increased by 90 basis points to 4.50% over the course of 2023.

Investor Type & Origin

Due to the small-scale nature of investment activities in the past year, national players stood out as buyers, accounting for about three-quarters of the market share. Regarding investor types, "asset/fund managers", "private investors/family offices", and "open-ended funds/special funds" show the highest purchasing volumes.

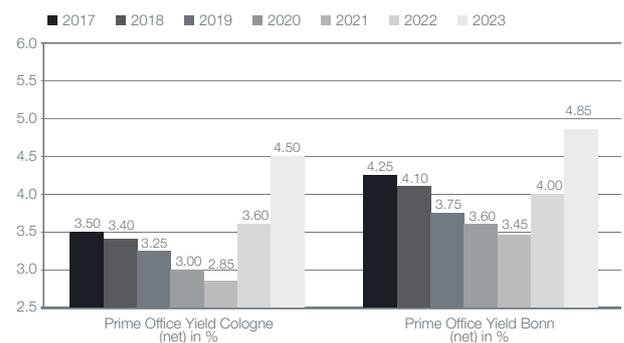
The challenges of 2023 will also shape the year 2024. However, with a likely decrease in interest rates in the second half of 2024, more dynamic activity is expected, supported by already decreased purchase prices.

Transaction Volume



Source: NAI Partners Germany

Prime Yield



Source: NAI Partners Germany

Top 3 Transactions

1. Kap am Südkai by Patrizia for approx. €65,000,000
2. Güterhaus Quarter I/D Cologne by Family Office for approx. €60,000,000
3. Loft Haus Quarter I/D Cologne by Family Office

OFFICE LETTINGS & OWNER-OCCUPIERS COLOGNE

Space take-up

The Cologne office market suffered in 2023 from the weak economy and falling demand for space as a result of the “mobile office” trend. At 195,000 sqm, the recorded take-up by tenants and owner-occupiers is therefore at its lowest level since 2008. Even in the aftermath of the financial market crisis in 2009, a higher volume of 220,000 sqm was recorded. Compared to the previous year (2022: 315,000 sqm), the decline is 38%, compared to the average of the last ten years, the decrease amounts to one third. In addition to a general restraint in demand and lengthy decision-making processes, there has been a decline in large-scale deals. The otherwise strong demand from the public sector was noticeably lower than in previous years due to the budget freeze on the federal budget, which is reflected in the market figures. The most significant contracts, in all cases interim solutions, are two leases by DEVK with a total of 21,000 sqm and the lease by the Cologne Chamber of Industry and Commerce at Unter Sachsenhausen 5–7 with 13,000 sqm. At 38%, the “services” sector leads the group of consumers. Among the sub-markets, the inner-city area dominates the take-up volume with a market share of 41%, especially the Altstadt-Nord area (22%).

Supply & Demand

The cathedral city’s office market recorded an increase in vacancies over the course of 2023, which, in addition to the slowdown in take-up dynamics, can be explained by the reduction in space for leases and an increase in sublet space. At the end of 2023, the availability of space amounted to approx. 343,000 sqm of office space. This corresponds to a vacancy rate of 4.3%, an increase of 1.4 percentage points compared to the previous year. Since only a few new-build spaces will come onto the market in the coming months due to the significant drop in construction activity, the vacancy rate is expected to stabilise even if the office market performance remains weak.

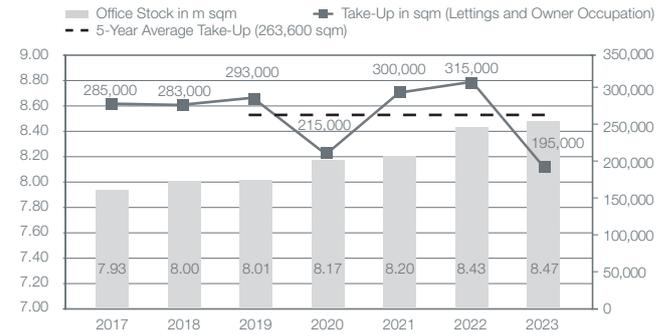
Rents

The excess demand for central, high-quality and modern office space is having a significant impact on the development of rental prices. The prime rent in 2023 has reached a new record high of €33.67/sqm. Since 2018, it has risen by more than €10.00/sqm. The average rent of €17.20/sqm also remained at an all-time high (2022: €17.07/sqm). The persistently low vacancy rate, the increase in construction costs and the significant decline in the volume of new construction suggest further rent increases.

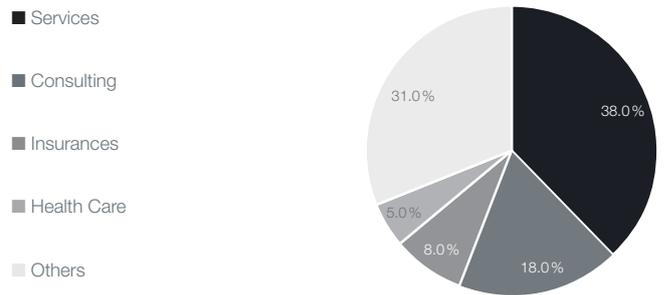
Outlook

For the first months of 2024, a challenging overall situation is still expected. An economic improvement is likely to lead to a moderate market recovery, probably in the second half of the year. High-priced, modern spaces in central locations will continue to be in demand, keeping prime rent levels high. With regard to leasing performance, a total annual result of approximately 220,000 sqm is expected for 2024.

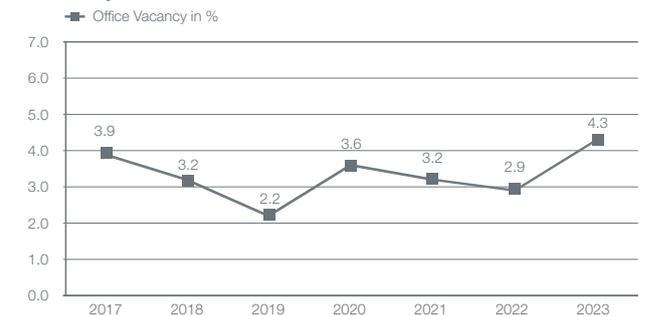
Office Stock & Take-Up



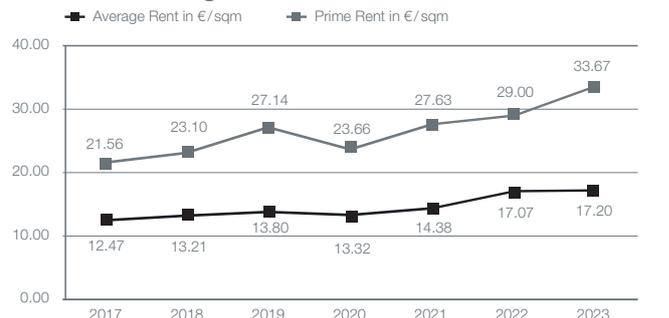
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. Rheinparkmetropole, Picassoplatz 1 by DEVK for approx. 21,000 sqm (2 deals)
2. Unter Sachsenhausen 5–7 by IHK Cologne for approx. 13,000 sqm
3. The Gate – Gerling Garden, Im Klapperhof by KZVK for approx. 9,200 sqm

OFFICE LETTINGS BONN

Space take-up

The Bonn office market was solid in 2023, although the overall impact of economic development is also being felt on Bonn's otherwise crisis-resistant real estate market. Overall, take-up by tenants amounted to around 91,300 sqm, which represents a decrease of 10,200 sqm or 10.0% compared to the previous year (2022: 101,500 sqm). The long-term average (2013–2022: 97,800 sqm) was also only slightly undercut. This illustrates the positive result on the Bonn letting market in view of the current general conditions. Over the course of the year, a total of 83 leases were registered, the majority of which (67 deals) were finalised in the small-scale segment up to approx. 500 sqm. Although only two major deals exceeded the 10,000 sqm mark, they accounted for the majority of this year's result with a total of around 57,500 sqm. The largest single letting was made by the German Aerospace Center (DLR) with around 43,000 sqm of office space in the Bonn-Nord submarket, which alone is responsible for a market share of 49.1%. It is precisely through this large-scale lease that the "clubs/associations" sector represents the most active market player in 2023, combining a market share of 49.7%. "Public institutions", which have dominated in the past, has acted much more cautiously in 2023 and now occupies second place with a market share of 19.9%.

Supply & Demand

The vacancy rate in Bonn, which has always been very low for several years, increased noticeably in the course of 2023 and amounted to 3.1% at the end of the year, which corresponds to 125,300 sqm. This is the first time since 2015 that the vacancy rate has exceeded the 3.0% mark, although it remains at a very low level. The main reason for this development is the return of some existing space, mainly by public users, as well as new construction projects that have been completed but are not yet fully let. A further increase in vacancies is expected in the coming months.

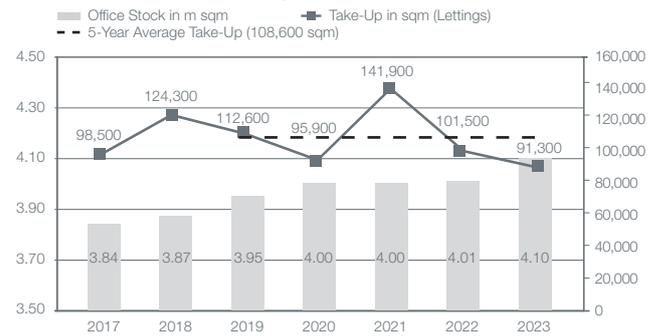
Rents

The trend on the office market in Bonn will also continue in 2023, with companies renting newer office space with modern building technology, which will be offered at correspondingly higher rents. As a result, the average rent increased by €0.37/sqm to €13.55/sqm over the course of the year (2022: €13.18/sqm). Prime rent, on the other hand, fell by €0.45/sqm year-on-year to €23.67/sqm (2022: €24.12/sqm). This is the result of deals in the Bundesviertel, Bonner Bogen and Nordstadt submarkets.

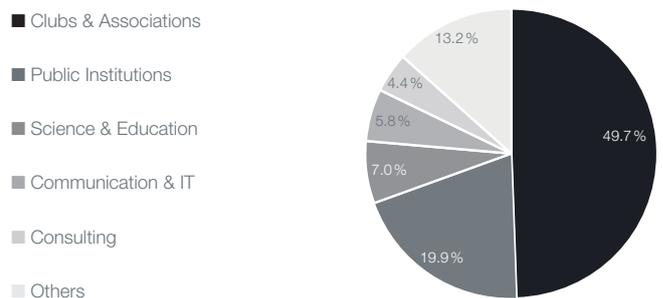
Outlook

The future performance of Bonn's office market depends primarily on the market activities of the public sector in the large-scale segment. However, it is difficult to predict whether this user group will continue to maintain its space requirements in the face of the current political challenges. If the few major searches on the market are concluded, a total take-up of between 75,000 and 100,000 sqm can be expected for 2024.

Office Stock & Take-Up



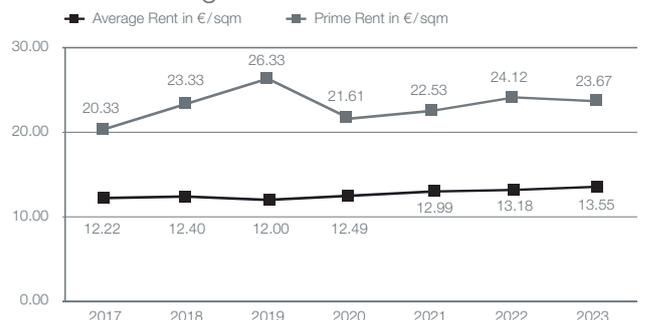
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. German Aerospace Center for 43,000 sqm
2. Institute for Federal Real Estate (BImA) for 14,500 sqm
3. Federal Post and Telecommunications Agency for 3,500 sqm



OFFICE LETTINGS & OWNER-OCCUPIERS ULM

Space take-up, Supply and Demand

Leasing activity in the Ulm office market was extremely subdued in 2023. At 14,000 sqm, the office space take-up achieved is only slightly above the corona level from 2020 and thus 32% below the previous year (2022: 20,500 sqm). The decrease is mainly due to the lack of large-scale business deals. With 2,500 sqm, the largest lease agreement was concluded in the “Midstadt Ulm” by the University of Ulm and thus by the public sector. For the second year in a row, the share of small-scale marketing business increased. In the past, with the exception of the corona year, subletting tended to be a niche segment on the Ulm office market, but in 2023 the market share rose to over a quarter. The moderate rental momentum in combination with an increase in sublet space and at the same time a subdued completion rate in the new construction sector has led to an increase in the vacancy rate in Ulm. Over the course of 2023, it rose by 0.3 percentage points to 4.5%. An additional expansion of the sublease offer as well as space still available in completion, e.g. the first construction phase in the “Universelle” development in Science Park III, will lead to a further slight increase in vacancies in 2024.

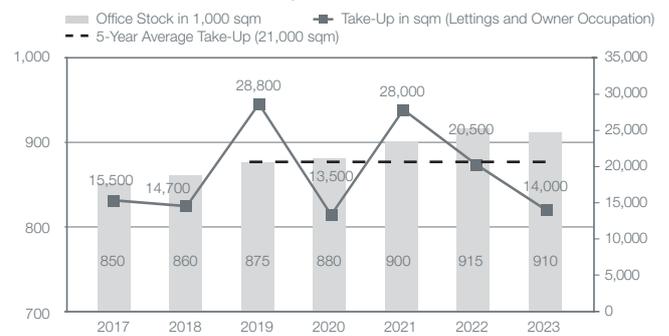
Rents

User demands for micro-location and quality, specifically with regard to sustainability and ESG criteria, have also demonstrably increased in Ulm. At the same time, demand exceeds the corresponding supply and has caused rental prices to rise further. The prime rent rose by €1.00/sqm to €19.00/sqm and the average rent by €0.20/sqm to €11.30/sqm.

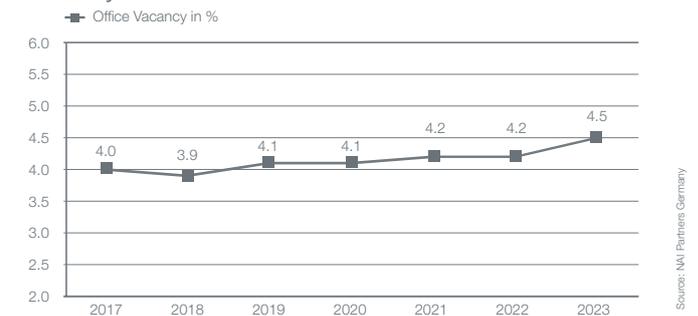
Outlook

A slight increase in take-up volume is expected in 2024, with this being largely driven by catch-up effects from the free market economy sector. This demand will be met by a greater supply of project completions spaces, which will have a stabilising effect on the already high level of rents.

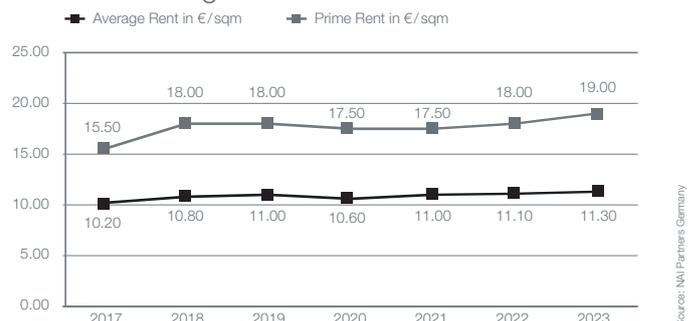
Office Stock & Take-Up



Vacancy Rate



Prime- & Average Rent





OFFICE INVESTMENT RUHR AREA

Transaction Volume & Yields

In 2023, the office transaction market in the Ruhr region was noticeably affected by the interest rate hike and the resulting difficulties in the pricing phase. Overall, an office transaction volume of €430 million was registered, which is 38% below the previous year (2022: €690 million). This represents the lowest transaction volume since 2013. Another positive aspect is that the number of transactions in the Ruhr region rose from 39 office sales in the previous year to 46. However, the average deal size fell significantly from around €18 million to around €9 million per property. In 2023, no office sales above €50 million were recorded in the Ruhr area. The pricing phase between buyers and sellers and the increased financing costs continued to have an impact on the cities in the Ruhr region in 2023, causing prime yields to rise further. Over the course of 2023, an increase of 70 basis points was recorded in Dortmund and Essen. The two largest cities in the Ruhr region thus have a prime yield of 4.95%.

Investor Type & Origin

The office investment volume is once again driven by German investors, who can claim the majority of the investment volume with a share of over 90%. Accordingly, the reduction in the volume is primarily due to the decline in investments by international investors.

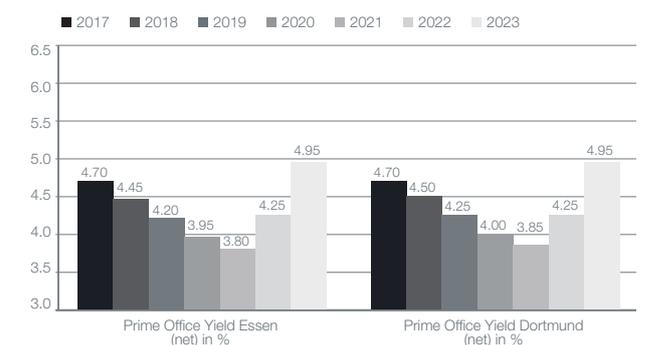
The strongest group of investors are “private investors/family offices” with a market share of 27.7% “Open-ended funds/special funds” and “asset managers/fund managers” continue to be important investor groups in the office investment market in the Ruhr region with 23.3% and 19.2% respectively.

After various factors slowed down transaction activity in 2023, uncertainty in the investment market is expected to subside and the market will gradually pick up again over the course of 2024. As a result, the cities in the Ruhr region are likely to achieve better performance in the office investment market.

Transaction Volume



Prime Yield



Top 3 Transactions

1. Westfalen-Center, Dortmund by Union Investment
2. Ideenschmiede 3, Bochum by La Française REM
3. Kortumhaus, Kortumstrasse 72, Bochum by Wohninvest

OFFICE LETTINGS & OWNER-OCCUPIERS ESSEN

Space take-up

In 2023, the Essen office market saw solid take-up, although it fell slightly short of the long-term average. Total office space take-up amounts to around 116,000 sqm, which corresponds to a year-on-year decline of 13%. Lettings accounted for 91,500 sqm (-5%), while owner-occupiers amounted to 24,500 sqm (-33%). The market's performance was once again driven by the traditionally high owner-occupier rate, which remained around 21% in 2023.

CUBION facilitated the largest lease by far: The city of Essen rented approximately 16,000 sqm of office space in the Südviertel at Kruppstrasse 16 for the Foreigners' Office. Another significant lease was made by E.ON Digital Technology GmbH, involving approximately 9,900 sqm in the "ruhr tech kampus essen". Owner-occupier activity is characterized by the construction of approximately 8,100 sqm by the opta data Group in the Nordviertel, as well as the neighboring FOM administrative center, which covers approximately 7,800 sqm. In the sector evaluation, "commercial, trade & transport companies" are ahead of the "public institutions" with around 34% and "other services" with around 10%.

Supply & Demand

The supply reserve of the Essen office market has significantly decreased due to positive net absorption and the withdrawal of sub-lease offers. Vacancy amounted to approximately 187,000 sqm by the end of the year. Consequently, the vacancy rate has declined from 7.1% in 2022 to 5.8% in 2023. While this rate can be characterized as moderate, it remains the highest among the other major cities in the Ruhr region. The completion of new office space in 2023 was historically low totalling only around 5,000 sqm, which represents an 85% decrease compared to the 5-year average (Ø 2018-2022: 32,700 sqm). For 2024, a higher volume of new construction is anticipated, with around 30,000 sqm expected. Currently, approximately 8,500 sqm of this new construction remains vacant.

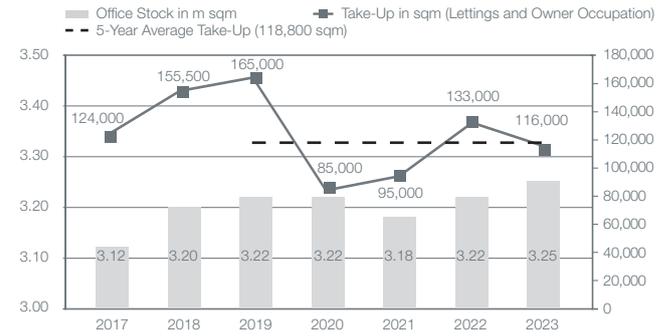
Rents

In 2023, average and prime rents in Essen experienced a slight decline, primarily attributed to fewer lettings in new-build projects. The average rent decreased by 13% year-on-year, dropping from €13.48/sqm to €11.75/sqm. Similarly, the realised prime rent saw a slight decrease of €0.50/sqm to €16.50/sqm. In the coming years, it is realistic to expect peak rents exceeding €20/sqm for modern office spaces in prime locations in Essen.

Outlook

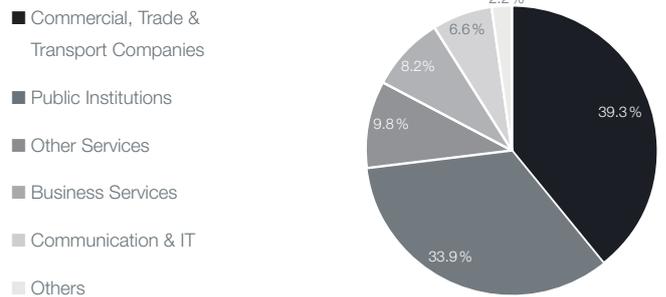
For 2024, a significantly lower letting performance is expected in Essen, as there are hardly any major applications in the market. Prime and average rents are expected to rise moderately over the course of the year, reflecting the demand for quality spaces at corresponding price levels. This is also likely to be driven by leases in ongoing projects. At the same time, the vacancy rate is expected to rise again by the end of 2024, as withdrawn sublease offerings re-enter the market as actual vacancies due to expiring lease contracts.

Office Stock & Take-Up



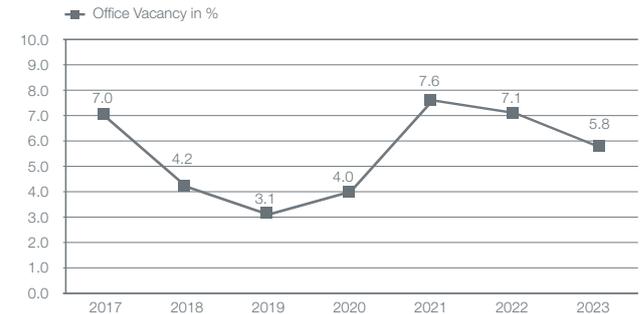
Source: NAI Partners Germany

Take-Up by Industry



Source: NAI Partners Germany

Vacancy Rate



Source: NAI Partners Germany

Prime- & Average Rent



Source: NAI Partners Germany

Top 3 Take-Up

1. Kruppstrasse 16 by City of Essen for 16,000 sqm
2. Thyssenkrupp Allee by E.ON Digital Technology for 9,900 sqm
3. Altenessener Strasse 32 by RWE for 5,600 sqm

OFFICE LETTINGS & OWNER-OCCUPIERS DORTMUND

Space take-up

In 2023, the office market in Dortmund (including the Airport office market in Holzwickede) recorded a take-up of 85,500 sqm. Unfortunately, this figure fell short of the exceptionally successful previous years, significantly below the decade average (Ø 2013-2022: 100,300 sqm). The leasing market accounted for the majority of take-up, with tenants leasing 79,000 sqm, while owner-occupiers accounted for 6,500 sqm. CUBION facilitated the largest lease of the year with the signing of the health insurance company BIG direkt gesund, securing approximately 7,400 sqm of office space in the newly constructed South Gate on Lake Phoenix. The second-largest lease was made by the City of Dortmund, signing a contract for around 6,900 sqm in the city center. The second-largest lease was made by the City of Dortmund, signing a contract for around 6,900 sqm in the city center. With the Dortmund West tax office, which concluded a lease agreement for 5,300 sqm at Märkische Strasse 249, the third largest deal can also be attributed to the public sector. Consequently “public institutions” lead with approximately 29%, followed by “other services” at around 25%, and “commercial, trade & transport companies” at a 20% share of the total letting activity.

Supply & Demand

The supply reserve saw only a moderate increase throughout 2023, following a significant rise in 2022. The space available at short notice increased by 9,500 sqm to 149,000 sqm. The vacancy rate currently stands at 4.7%, in line with the average for other cities in the Ruhr area. The supply in the high-quality segment remains stable and has potential for expansion. In 2023, approximately 48,000 sqm of new office space were completed, marking the highest value since 2010 and exceeding the five-year average (Ø 2018-2022: 36,800 sqm) by over 30%. Only about 3,300 sqm of the completed space is still available. A record completion volume of 116,500 sqm is forecasted for 2024, with approximately 23,000 sqm currently available for rent.

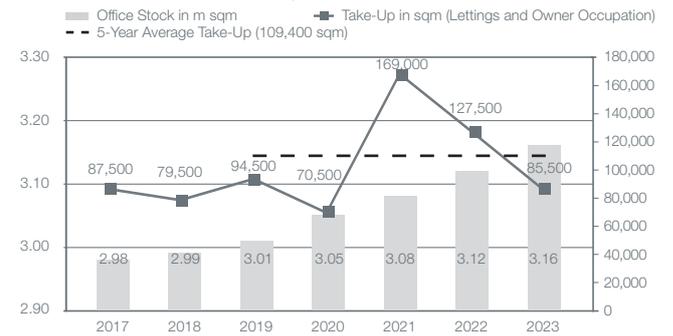
Rents

Average and prime rents remained largely stable in 2023. While the weighted average rent in the overall market slightly decreased from €12.16/sqm to €11.96/sqm, the realized prime rent remained almost unchanged at €16.55/sqm (compared to the previous year's €16.50/sqm), suggesting that the leased new-build projects are not positioned in the absolute top segment.

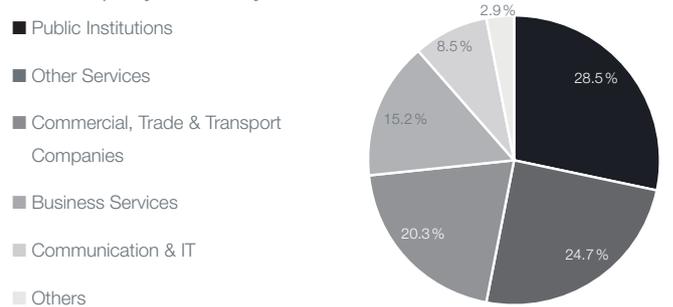
Outlook

After the letting activity in 2023 normalized to the long-term average level following several strong previous years, an office space take-up of around 80,000 sqm is expected for 2024, given the prevailing economic conditions. Already, over 33,000 sqm have been leased in the first quarter. The vacancy rate is also expected to stabilize at the current level, while both average and prime rents are projected to continue their upward trajectory. Particularly in the area of realised prime rents, a new record value can be assumed.

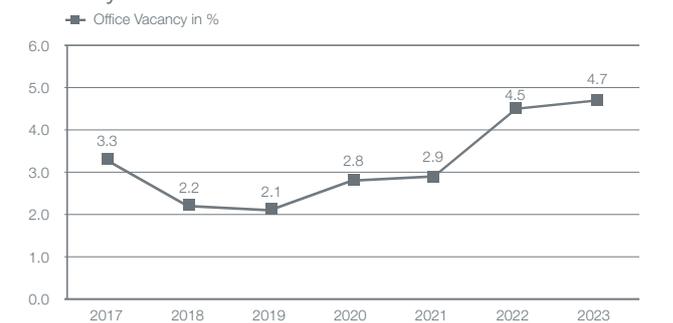
Office Stock & Take-Up



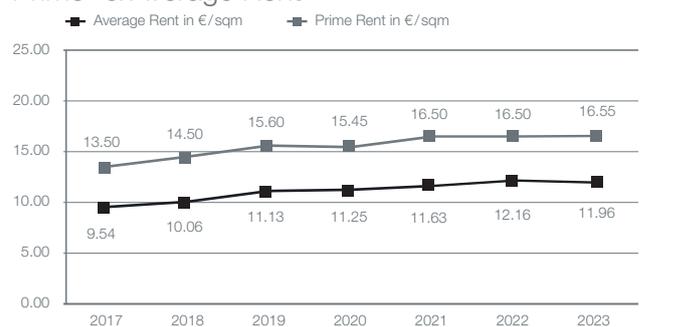
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. Hörder-Bach-Allee 1–3 by BIG direkt gesund for 7,400 sqm
2. Freistuhl 7 by City of Dortmund for 6,900 sqm
3. West Märkische Strasse 249 by Dortmund West Tax Office for 5,300 sqm



OFFICE INVESTMENT RHINE-NECKAR

Transaction volume & yields

The real estate investment market in the Rhine-Neckar metropolitan region was characterized by restrained market activity in 2023 as a result of the cautious economic situation and difficult financing environment. Overall, a transaction volume of around €560 million was realised on the investment market in the Rhine-Neckar region in 2023, undercutting the equally weak result from the previous year (2022: €650 million) by another 14%. Office properties account for a total of €240 million of this amount, making them the most dominant asset class with 43% of the total volume. Compared to the previous year, however, the decline in office investments is also significant at 20%.

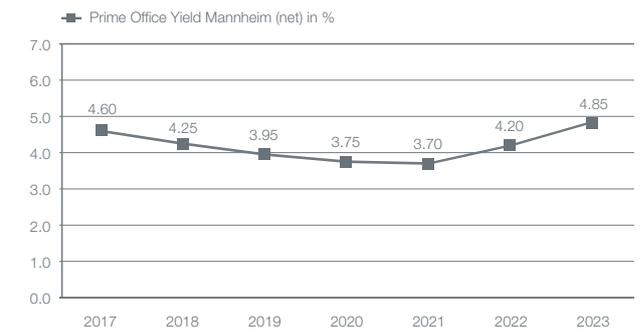
In the region's two major centres, Mannheim and Heidelberg, the rise in prime office yields continued. In both Mannheim and Heidelberg it has increased by 0.65 percentage points each, bringing it now to 4.85% and 4.95% respectively.

Investor Type & Origin

While small-scale deals in 2023 mainly attracted private investors, especially from the region, large-volume tickets focused primarily on professional or institutional buyers. These include, for example, Fundsgrund Investment and Landmarken AG, both of which have made significant acquisitions in the office segment. The sale of the "No.1" in the Glückstein district as well as the LBBW headquarters, in conjunction with other deals, have ensured that Mannheim was the investment focus of investors in the Rhine-Neckar region in 2023, which is particularly true for the office sector.

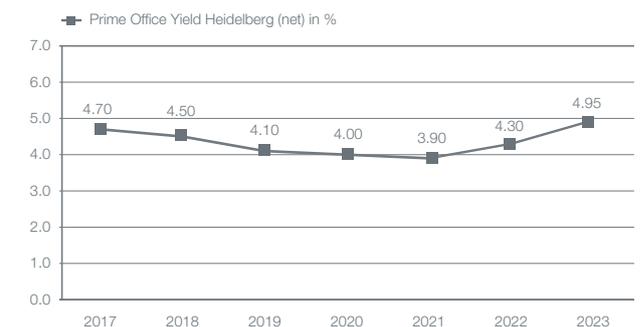
If interest rates develop positively, investment activity is expected to pick up in 2024, although this is not expected to start until later in the year. Overall, a below-average investment volume is therefore also to be expected for 2024.

Prime Yield Mannheim



Source: NAI Partners Germany

Prime Yield Heidelberg



Source: NAI Partners Germany

Top 3 Transactions

1. Glücksteinallee 1, Mannheim by Fundsgrund Investment for approx. €70,000,000
2. Augustaanlage 33, Mannheim by Landmarken AG
3. Am Schäferstock 9, Mannheim by Imaxxam Asset Management

OFFICE LETTINGS & OWNER-OCCUPIERS MANNHEIM

Space take-up

The Mannheim office market was able to defy the crisis mood in 2023 and achieve a positive result. Take-up of office space by tenants and owner-occupiers totalled 68,000 sqm, exceeding the previous year's result by 5,000 sqm or 8%. Due to the lack of owner-occupier construction starts, the entire take-up was accounted for by lettings, highlighting the resilience of the Mannheim market.

A total of 94 leases were registered, of which 14 were deals above 1,000 sqm and another 20 more in the size category between 500 and 1,000 sqm. Among the largest lettings are the 5,500 sqm deal Am Victoria-Turm 2 by LBBW, as well as the 4,000 sqm leases from the IT system house Bechtle and 3,500 sqm from Lummus Novolen, both of which have opted for Gottlieb-Daimler-Strasse 2.

The "communication & IT" sector emerged as the strongest performer in the past year, representing 28.2% of total take-up. This is followed by the "industrial production & processing trade" group with 14.4% and wholesale & retail trade with 11.2%.

Supply & Demand

The vacancy rate for office space in Mannheim increased by 0.7 percentage points to 6.4% in 2023, totaling 139,000 sqm. Most of the vacant space remains concentrated in the city's commercial areas. A total of 42,000 sqm of office space was completed in 2023. Taking into account disposals, the office space stock has thus grown to 2.17 million sqm. No significant completions with available office spaces are anticipated in 2024.

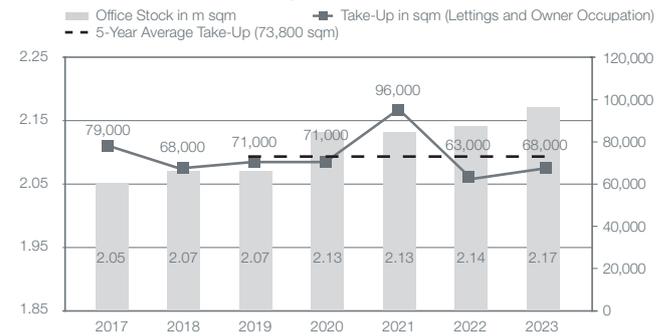
Rents

By leasing the few remaining spaces of the new construction projects around Mannheim Central Station and the Glückstein site, the prime rent realised in 2023 has stabilised at the previous year's high level of €22.00/sqm. The average rent rose again significantly from €14.70/sqm in 2022 to €15.70/sqm in the reporting year 2023. This is mainly due to the 14 deals over 1,000 sqm. Here, demand was primarily concentrated on revitalized and modernly equipped office space.

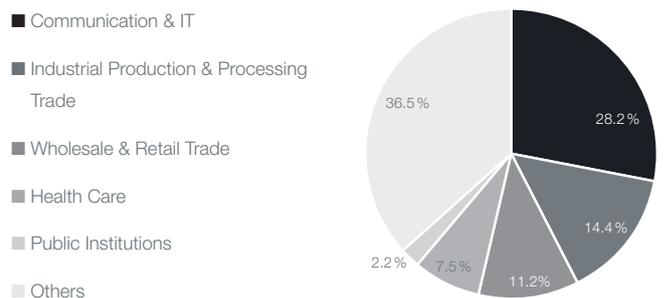
Outlook

Despite the difficult economic situation, the Mannheim office market is likely to be less vulnerable than other markets in 2024. As a result, there continues to be a vital demand for modern space. In 2024, this will primarily be covered by short-term rentable and revitalized office space. Accordingly, the vacancy level is likely to fall again. As a result of the deals in modern revitalisation and new construction projects, rents are expected to stabilise at the high level achieved, both at the peak and on average. Overall, for 2024, an office space take-up result in the region of 70,000 sqm, thus at a similar level to 2023, can be forecasted.

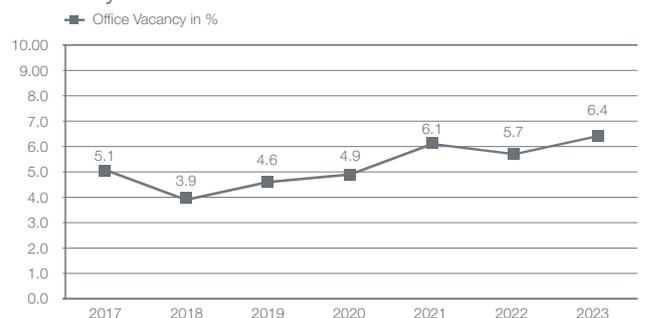
Office Stock & Take-Up



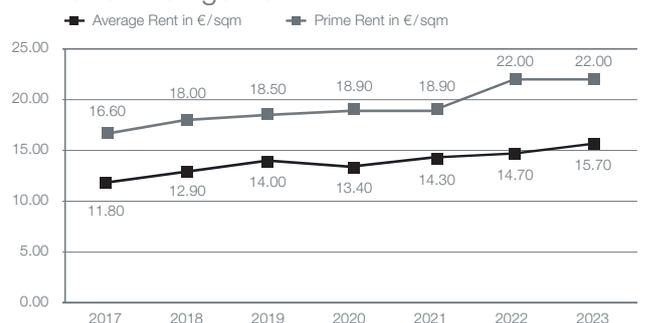
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



Top 3 Take-Up

1. Am Victoria-Turm 2 by LBBW for 5,500 sqm
2. Gottlieb-Daimler-Strasse 2 by Bechtle IT for 4,000 sqm
3. Gottlieb-Daimler-Strasse 2 by Lummus Novolen for 3,500 sqm

OFFICE LETTINGS & OWNER-OCCUPIERS HEIDELBERG

Space take-up

The Heidelberg office market experienced a significant downturn in 2023 compared to the previous year. While 51,000 sqm could still be realised by tenants and owner-occupiers in 2022, this year's result fell by around 45% to 28,000 sqm. This means that take-up is far below the 5-year average of approx. 49,400 sqm. One reason for the weak take-up result is the lack of major deals. In addition, only six leases in the range of 1,000 sqm to 2,000 sqm were registered. In total, the number of leases was signed to 54, of which 43 were over 200 sqm. This means that the number of deals is at a similar level as in 2022. The largest signing in terms of space in 2023 was the rental of 2,000 sqm from Luxendo at Breitspiel 2–4. Furthermore, the agreement by Basic Fit for 1,700 sqm and SRH's lease of 1,600 sqm are also noteworthy signings in 2023. In terms of industry distribution, "communication & IT" dominated in 2023 with a market share of 21.1%, closely followed by "consulting, marketing & research" with 18.9%. In third place is the group of "education & social institutions" with a share of 13.6%.

Supply & Demand

The vacancy rate fell moderately by 0.3 percentage points to 4.0% over the course of 2023 (2022: 4.3%). This corresponds to an absolute vacancy of approx. 45,000 sqm (2022: approx. 58,000 sqm). In the coming months, the high momentum in project developments and the associated expansion of the supply of office space should lead to an increase in the supply of vacant office space. However, a revival in the letting business with a higher take-up of space will counteract this trend.

Rents

The rental trend in Heidelberg in 2023 was divided into two parts. The realised prime rent rose by €0.50/sqm to €18.00/sqm, which is attributable to contracts for 1,000 sqm in good new construction projects and attractive office space. The average rent decreased by €1.80/sqm to €14.20/sqm. This reflects the fact that the majority of take-up occurred in existing spaces.

Outlook

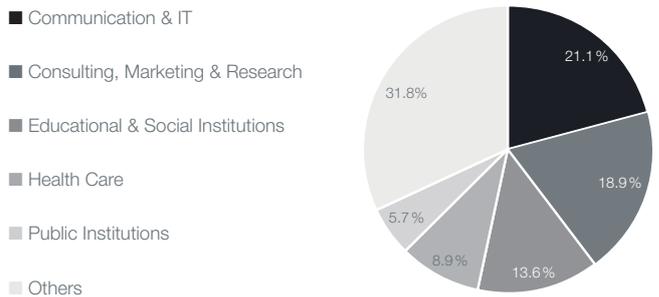
Due to the future expansion of attractive new construction areas, especially around Europaplatz and Heidelberg Innovation Park, lettings in modern office spaces will become more significant, thereby maintaining prime rents at a high level. Increases in average rent can also be expected. Overall, the rental market in 2024 is expected to be more active. Owner-occupier transactions are likely to play a larger role again, leading to an expected revitalization of office take-up.

Office Stock & Take-Up



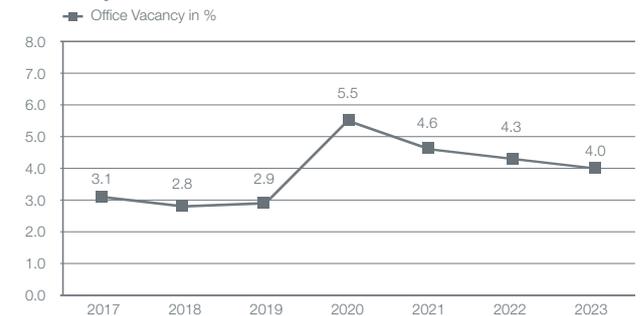
Source: NAI Partners Germany, gfl e.V.

Take-Up by Industry



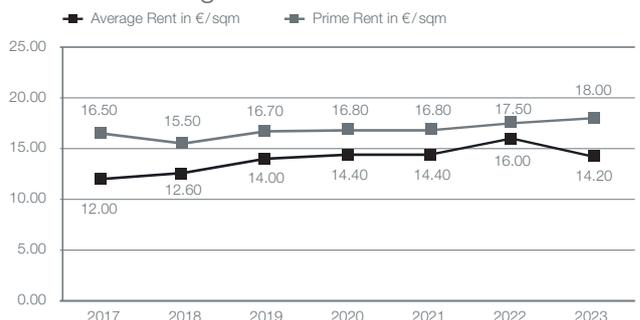
Source: NAI Partners Germany

Vacancy Rate



Source: NAI Partners Germany, gfl e.V.

Prime- & Average Rent



Source: NAI Partners Germany, gfl e.V.

Top 3 Take-Up

1. Im Breitspiel 2–4 by Luxendo for 2,000 sqm
2. Hauptstrasse 9–13 by Basic Fit for 1,700 sqm
3. Wangerowstrasse By SRH for 1,600 sqm

OFFICE LETTINGS & OWNER-OCCUPIERS ERFURT

Space take-up

The Erfurt office market was able to hold its ground in 2023 despite the tense economic situation. Take-up of around 22,000 sqm was recorded, slightly above the previous year's level (2022: 21,000 sqm). However, the five-year average (2019–2023: 28,000 sqm) is clearly undercut. Nevertheless, the rental market proved to be robust in 2023 – it accounted for the entire take-up. Lettings primarily took place below the 1,000 sqm mark. The larger deals include, for example, the leases by FUNKE Medien Thüringen in Juri-Gagarin-Ring or by HMU Health and Medical University Erfurt in Parsevalstrasse 9. Owner-occupier take-up was absent due to the persistently unfavourable macroeconomic parameters for construction starts (including interest rates, increased construction costs). The industries with the highest take-up in the year were “educational & social institutions” and “communication & IT”, each accounting for more than 20% of total annual take-up.

Supply & Demand

In 2023, the trend of a decrease in vacancies in Erfurt continued. Due to the relatively low level of new construction activity over the past decade and due to Erfurt's continuing positive socio-economic key data, the vacancy rate for office space has fallen steadily in recent years. As of the end of 2023, approx. 73,000 sqm of office space is available for short-term rental in the market. This corresponds to a moderate vacancy rate of approx. 4.4% (2022: 5.1%). Larger vacant offices are predominantly concentrated in building stocks in more decentralised locations with a rather average and below-average standard of equipment. In 2023, the office stock increased by 15,000 sqm to 1.672 million sqm. The majority is attributable to completed new-build office space by owner-occupiers, while only 3,000 sqm of new-build office space was potentially available to the letting market.

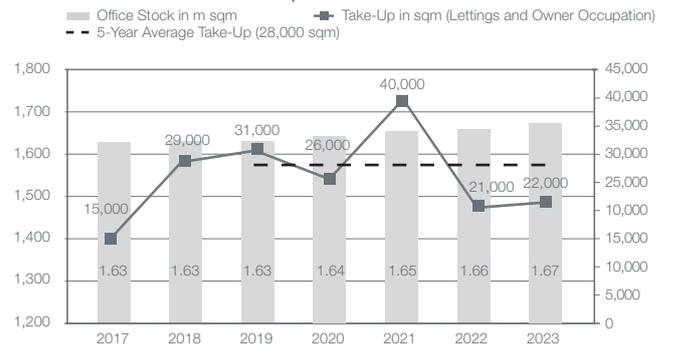
Rents

Some deals in the upper rental price segment caused the rental price level to rise further in 2023. As a result, the average rent increased significantly over the course of the year by 6.5% to €9.80/sqm (2022: €9.20/sqm). The prime rent rose by 2.5% to €12.50/sqm. The lack of high-quality new-build office projects in central locations in Erfurt has prevented a much more significant increase in prime rents to date.

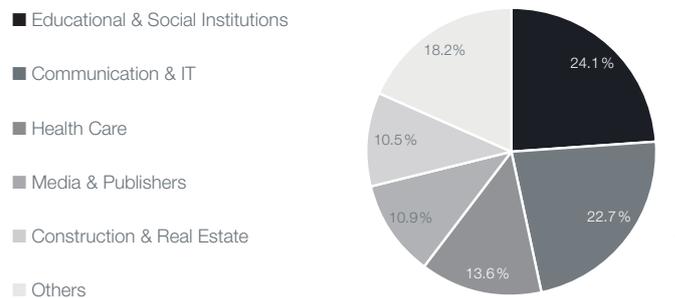
Outlook

Given the recent commencement of marketing for certain office projects, it is reasonable to expect that notable leases will be secured within the new build sector throughout 2024. This is likely to result in a further rise in average rents and a particularly significant increase in prime rents. The ICE-City area east will gain momentum in development dynamics due to the major user, Deutsche Bahn. Accordingly, a take-up for 2024 can be predicted to range between the 2023 result of 22,000 sqm and the medium-term average of 28,000 sqm.

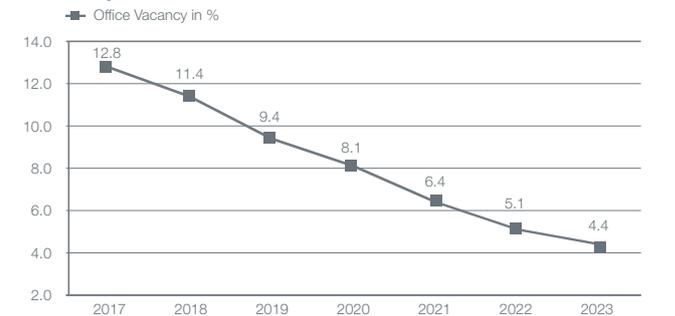
Office Stock & Take-Up



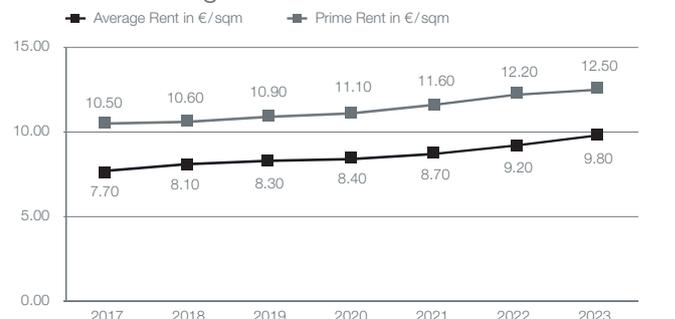
Take-Up by Industry



Vacancy Rate



Prime- & Average Rent



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