

# Market in Minutes

## Germany office markets

Q1 2015



### The facts at a glance

#### Increasing rents and less supply offer opportunities

■ Take-up in the top six office markets totalled 680,000 sq m in the first quarter of 2015, which represents a decline of 3.1% on the same quarter last year.

■ Although demand is strong across all markets this has not yet resulted in higher take-ups in all locations. In Berlin (-25%), Cologne (-12%) and Frankfurt (-7%) a number of large scale searches are in the market so that significant increases of turnover can be expected throughout the year.

■ Munich (+20%), Hamburg (+16%) and Düsseldorf (+2%) saw increases in take-up levels already in the first three months of the year.

■ With the majority of the space completed in Q1 being pre-let and following various decreases in stock, the vacancies continued to drop. On average across the six markets the vacancy rate dropped by 30 basis points to 7.7%. The total volume of new office completions in 2015 is anticipated at approx. 1 million sq m, with circa two thirds pre-let.

■ On average across the six markets the prime rent rose slightly by 1.0% year-on-year to € 27.63/sq m/month, while the average rent even increased by 5.4% to € 14.73/sq m/month.

■ Due to the solid first quarter and a positive outlook for the remainder of the year the 2014 total take-up of circa 2.7 million sq m will most likely be surpassed. Backed upon the current parameters – strong demand, reducing vacancies and increasing rents – the prospects of success for developers look very good.

# Top six office markets at a glance

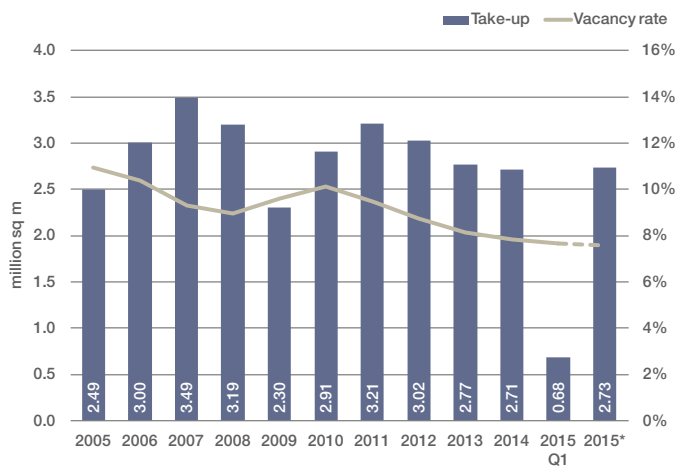
Q1 2015

TABLE 1  
Key office market figures

	Take-up (sq m)		Vacancy rate (%)		Stock (million m <sup>2</sup> )		Prime rent (€ per sq m/month)		Average rent (€ per sq m/month)	
	Q1 2015	y-o-y change	Q1 2015	y-o-y change	Q1 2015	y-o-y change	Q1 2015	y-o-y change	Q1 2015	y-o-y change
Berlin	171,300	-24.6%	4.3	-40bps.	19.1	+1.4%	22.80	+1.3%	13.90	+7.8%
Düsseldorf	69,000	+1.5%	10.9	+10bps.	7.7	+0.7%	26.00	-5.5%	14.20	-3.4%
Frankfurt	82,000	-7.3%	11.4	-40bps.	12.0	+0.2%	38.00	+/-0.0%	17.50	+/-0.0%
Hamburg	120,585	+15.7%	6.1	-90bps.	13.4	+2.2%	24.50	+2.1%	14.50	+9.4%
Cologne	50,800	-12.4%	7.4	-20bps.	7.7	-2.2%	20.00	-10.3%	12.40	-4.6%
Munich	187,220	+19.7%	5.9	-20bps.	22.8	+2.2%	34.50	+3.0%	15.85	+3.8%
Top 6	680,905	-3.1%	7.7	-30bps.	82.5	+1.2%	27.63	+1.0%	14.73	+5.4%

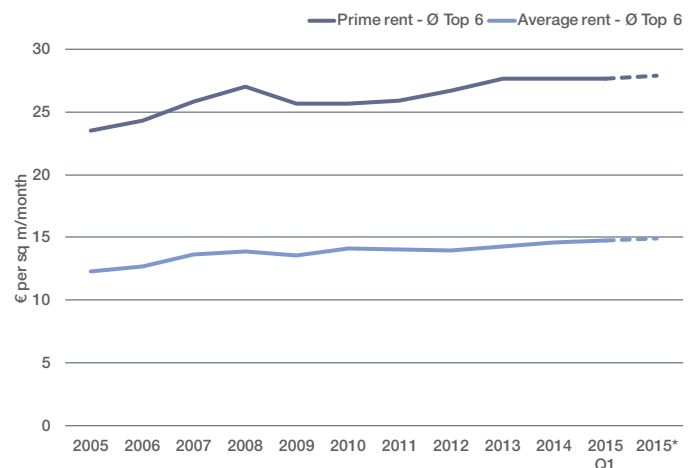
Source: Savills

GRAPH 1  
Take-up and vacancy rate



Source: Savills / \* forecast

GRAPH 2  
Rental levels



Source: Savills / \* forecast

## Top six market in minutes

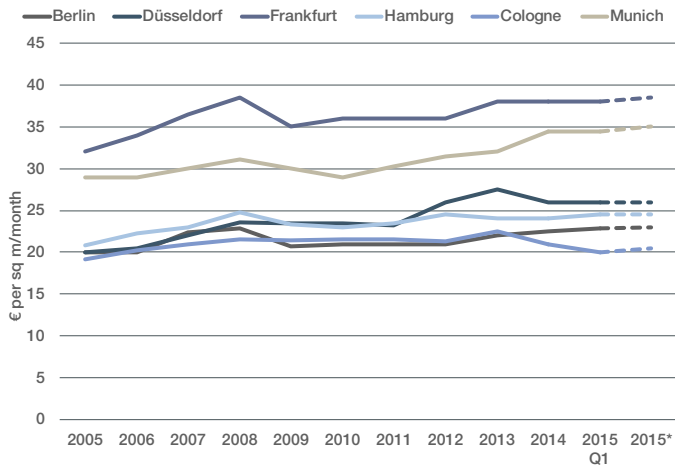
### Owner-occupier deals and transactions from public sector drive take-up

- Office take-up across the top six markets totalled 680,000 sq m, representing a decrease of 3.1% compared with the same quarter last year. The prime rent rose by 1.0% to €27.63 per sq m/month while the vacancy rate fell by 30 basis points to 7.7%.
- Particularly in Hamburg the result was strongly characterised by owner-occupier transactions, notably in the public sector. In the current capital market environment also medium-sized companies, foundations and organisations tend towards buying properties rather than staying tenants. This is because in light of the extremely low or even negative interest rates on the money and bond markets those players wish to reduce surplus liquidity. Hence the purchase of office properties for own occupancy is an attractive option for many companies.
- Given the reducing vacancies and continuously low development activity, tenants in city centre and city fringe locations have to expect further rental increases.

# Top six office markets at a glance

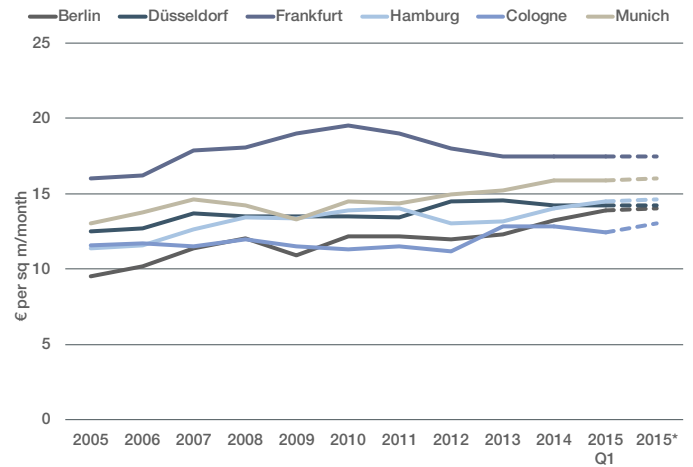
Q1 2015

**GRAPH 3**  
Prime rent by location



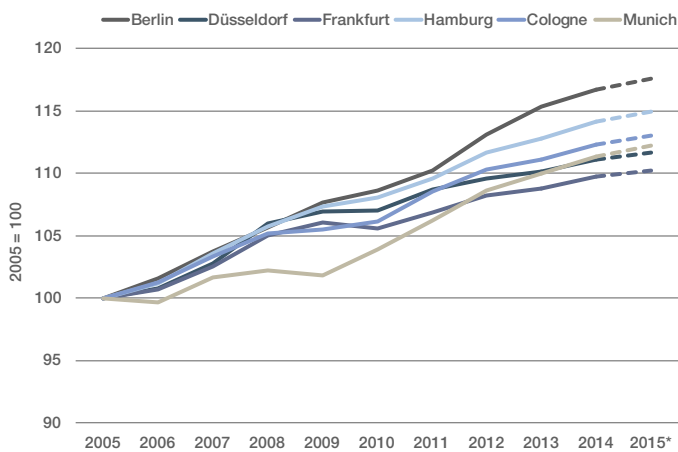
Source: Savills / \* forecast

**GRAPH 4**  
Average rent by location



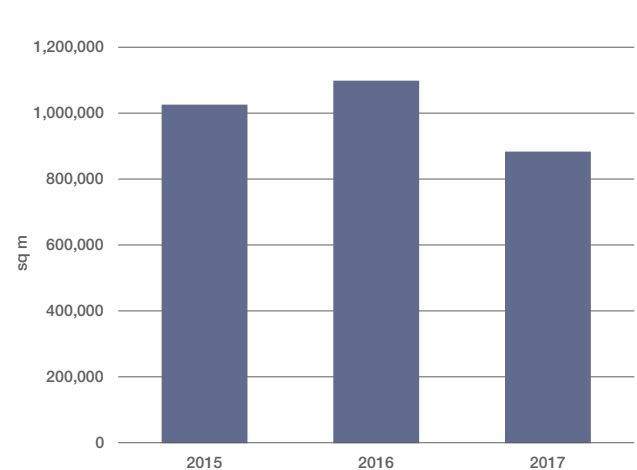
Source: Savills / \* forecast

**GRAPH 5**  
Office employment



Source: Oxford Economics / \* forecast

**GRAPH 6**  
Development pipeline



Source: Savills

**TABLE 2**  
The largest letting transactions in Q1 2015 at a glance\*

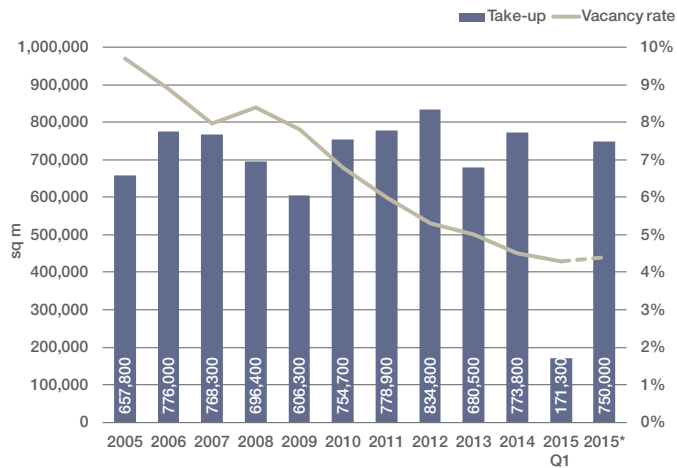
Location	Tenant	Office space (sq m)
Berlin	Rocket Internet	approx. 22,000
Munich	BSH Bosch und Siemens Hausgeräte	approx. 14,500
Munich	Condé Nast	approx. 9,800
Munich	City of Munich	approx. 9,000
Cologne	Jobcenter	approx. 7,600

Source: Savills / \* only published transactions are shown

# Berlin

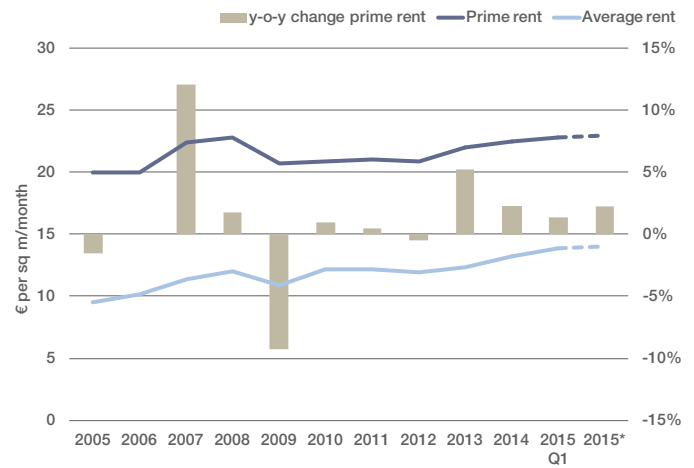
## Q1 2015

**GRAPH 7**  
**Take-up and vacancy rate**



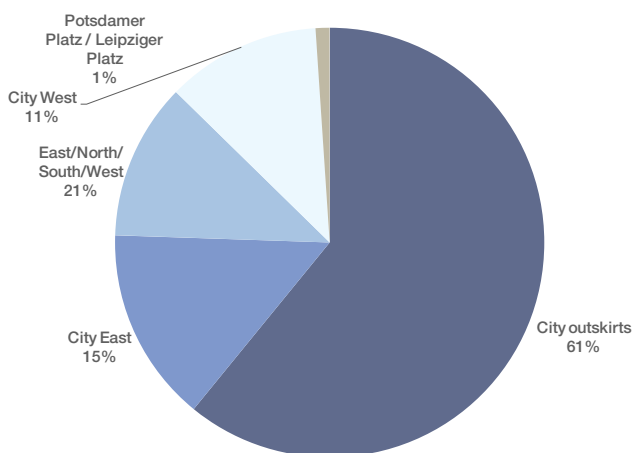
Source: Savills / \* forecast

**GRAPH 8**  
**Rental levels**



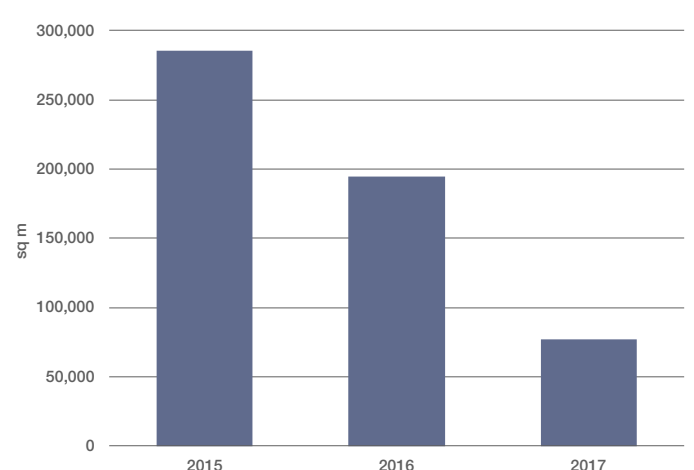
Source: Savills / \* forecast

**GRAPH 9**  
**Take-up by submarket**



Source: Savills

**GRAPH 10**  
**Development pipeline**



Source: Savills

## Berlin market in minutes

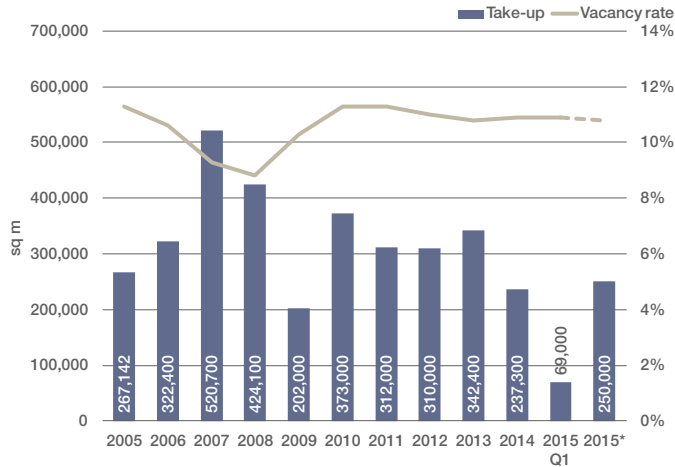
### Very high demand, but hardly large deals

- Office take-up in the first quarter of 2015 totalled 171,300 sq m, representing a decrease of 24.6% compared with the same quarter last year. The prime rent rose by 1.3% to €22.80 per sq m/month while the vacancy rate fell by 40 basis points to 4.3%.
- Demand in Q1 was very high but this did not translate into an increase in take-up as only two large deals were completed. By far the largest deal was the letting of 22,000 sq m to Rocket Internet in the GSW office tower in Kreuzberg. However, the majority of take-up was attributable to deals in the small and medium size segments.
- With a number of large deals in the pipeline around the main railway station, for example, take-up for the year is likely to exceed 700,000 sq m once again. The vacancy rate is expected to rise moderately for the first time since 2007 by the end of the year.

# Düsseldorf

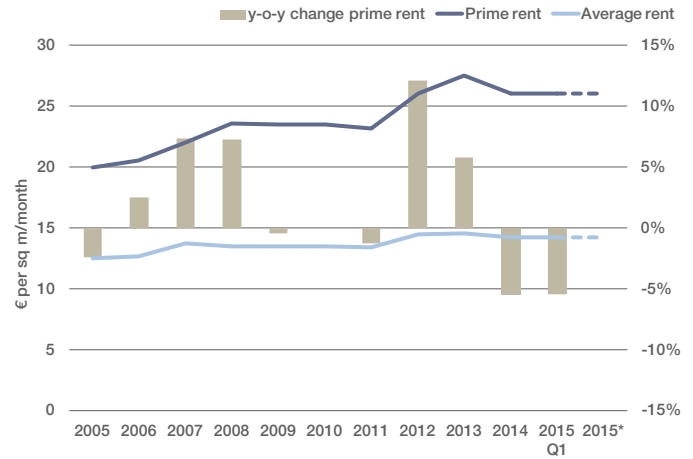
## Q1 2015

**GRAPH 11**  
Take-up and vacancy rate



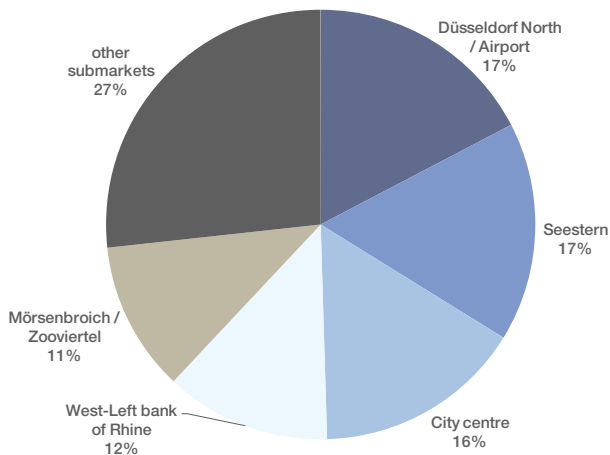
Source: Savills / \* forecast

**GRAPH 12**  
Rental levels



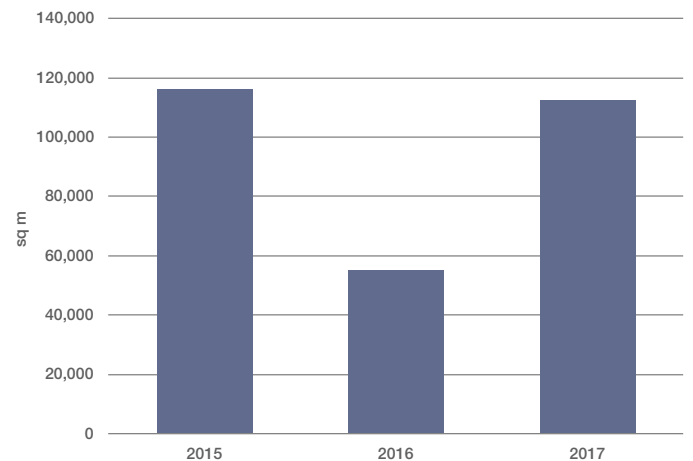
Source: Savills / \* forecast

**GRAPH 13**  
Take-up by submarket



Source: Savills

**GRAPH 14**  
Development pipeline



Source: Savills

## Düsseldorf market in minutes

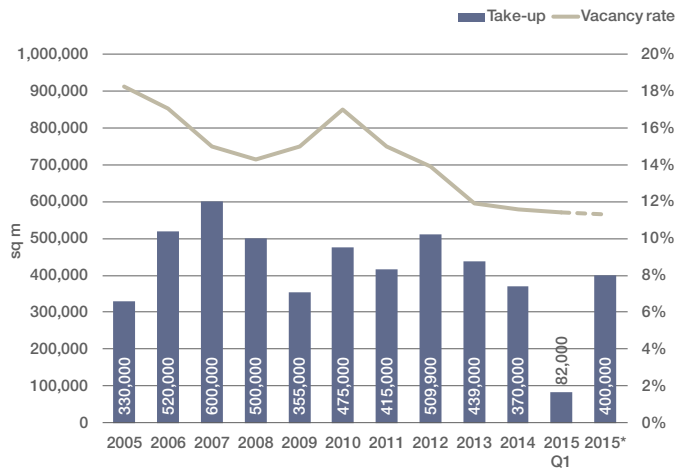
### Düsseldorf North / Airport and Seestern with high take-up figures

- Office take-up in the first quarter of 2015 totalled 69,000 sq m, representing an increase of 1.5% compared with the same quarter last year. The prime rent declined by 5.5% to €26.00 per sq m/month while the vacancy rate rose by 10 basis points to 10.9%.
- Aside from four larger deals, letting activity in Q1 was largely characterised by lettings in the small office segment. More than half of transactions completed were for less than 500 sq m. The four largest lettings, each above 4,000 sq m, were all outside of the City submarket. The Düsseldorf North / Airport and Seestern office submarkets were particularly strong, each accounting for 17% of take-up.
- In terms of take-up, this year is likely to see an increase. With a number of large requirements in the market, the forthcoming quarters will register higher take-up figures. Based upon these requirements, take-up for the whole year is likely to exceed last year's figure of 237,000 sq m.

# Frankfurt

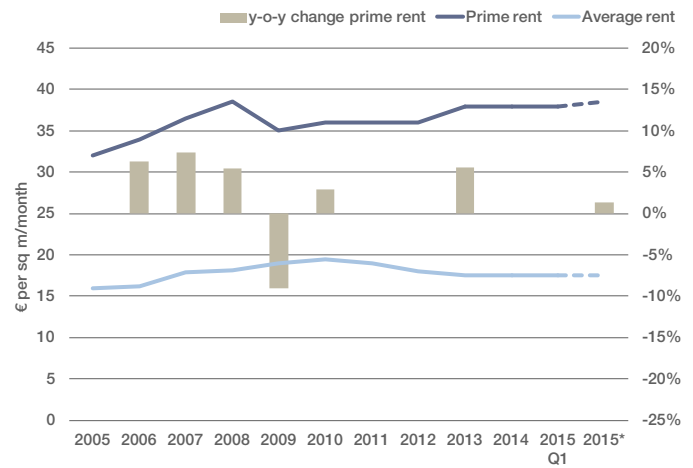
## Q1 2015

**GRAPH 15**  
Take-up and vacancy rate



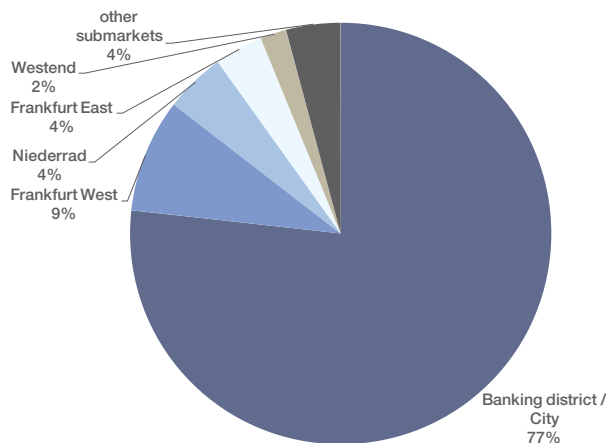
Source: Savills / \* forecast

**GRAPH 16**  
Rental levels



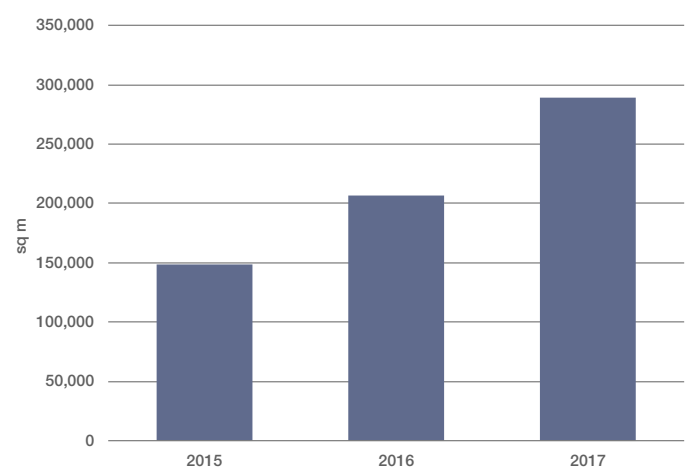
Source: Savills / \* forecast

**GRAPH 17**  
Take-up by submarket



Source: Savills

**GRAPH 18**  
Development pipeline



Source: Savills

## Frankfurt market in minutes

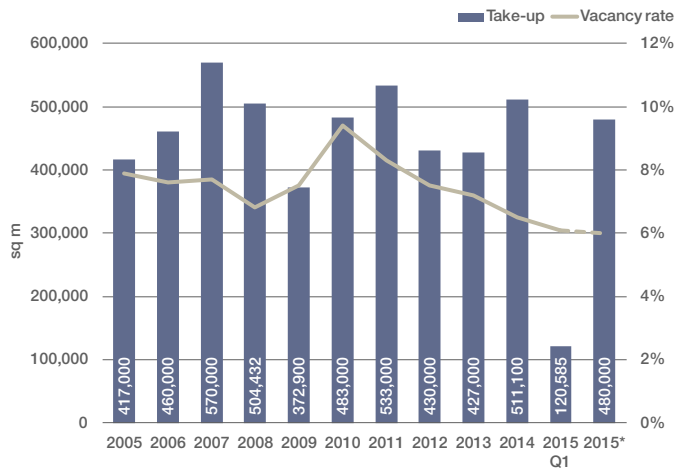
One large owner-occupier deal accounts for 40% of take-up

- Office take-up in the first quarter of 2015 totalled 82,000 sq m, representing a decrease of 7.3% compared with the same quarter last year. The prime rent remained unchanged at €38.00 per sq m/month while the vacancy rate fell by 40 basis points to 11.4%.
- The acquisition of 32,000 sq m on Windmühlstraße by Deutsche Vermögensberatung accounted for approximately 40% of total office take-up. Other significant deals included eleven transactions in the medium size segment between 1,000 sq m and 5,000 sq m.
- With a number of larger requirements currently in the market, higher take-up figures are expected in the forthcoming quarters. These requirements are not only focused on central locations but also extend to peripheral office submarkets, which are once again in increasing demand as back office locations against a background of improving economic conditions. Take-up for the entire year is likely to reach around 400,000 sq m.

# Hamburg

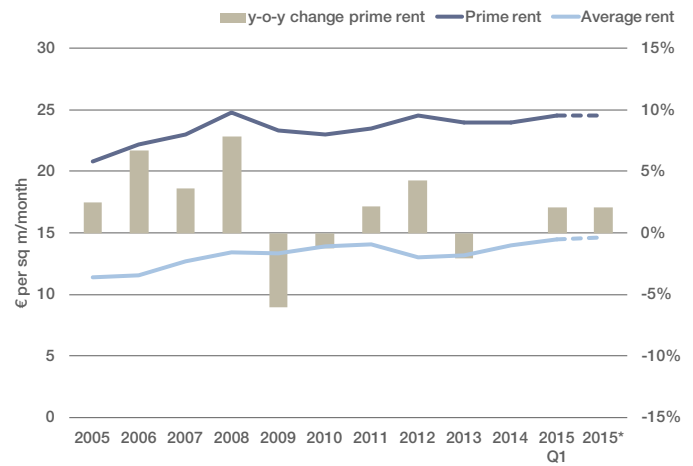
## Q1 2015

GRAPH 19  
**Take-up and vacancy rate**



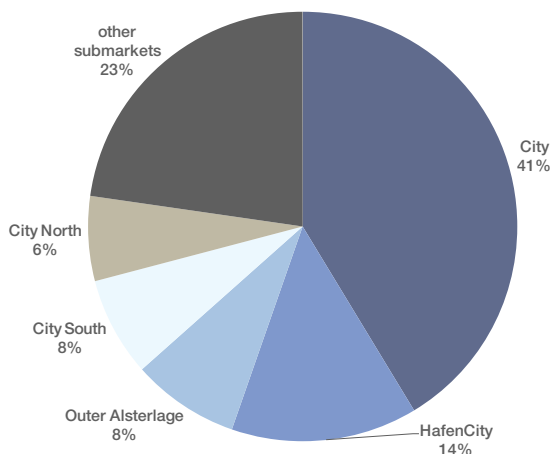
Source: Savills / \* forecast

GRAPH 20  
**Rental levels**



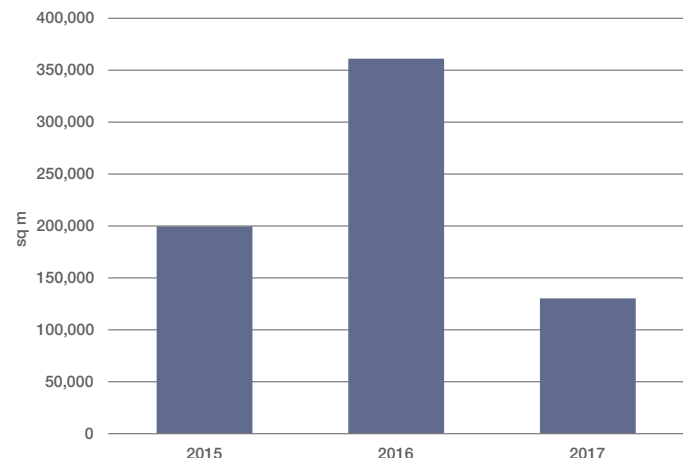
Source: Savills / \* forecast

GRAPH 21  
**Take-up by submarket**



Source: Savills

GRAPH 22  
**Development pipeline**



Source: Savills

## Hamburg market in minutes

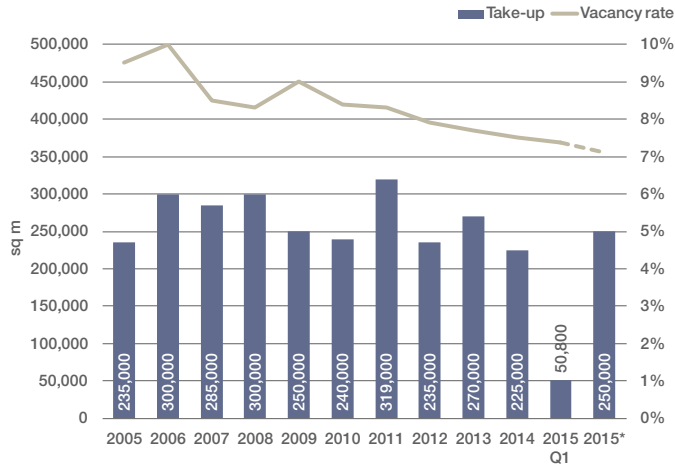
### High activity in all size segments

- Office take-up in the first quarter of 2015 totalled 120,600 sq m, representing an increase of 15.7% compared with the same quarter last year. The prime rent rose by 2.1% to €24.50 per sq m/month while the vacancy rate fell by 90 basis points to 6.1%.
- Once again, large owner-occupier transactions at the start of the year drove high take-up in the Hamburg office market, the largest of the three transactions coming from the public sector. Indeed, owner-occupier deals accounted for more than 40% of overall office take-up in the first quarter. Last year, these accounted for just over 15% of take-up; a high figure itself.
- The breadth of the Hamburg market has also improved. This is reflected in the high level of activity in the medium size segment between 1,000 sq m and 3,000 sq m. There were 21 deals in this size segment in the first quarter (Q1 14: 15 transactions).

# Cologne

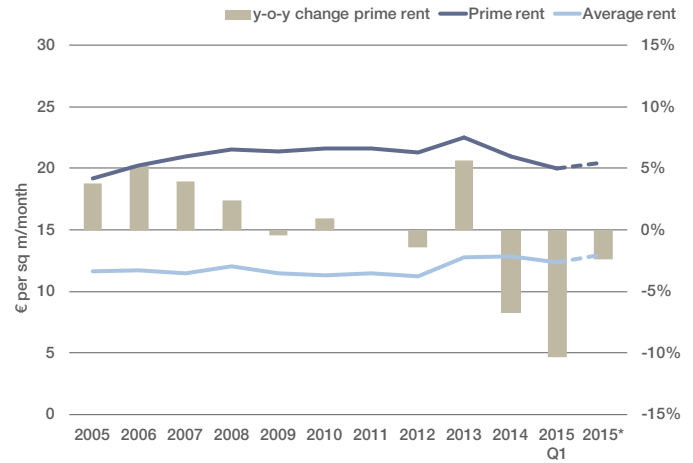
## Q1 2015

**GRAPH 23**  
**Take-up and vacancy rate**



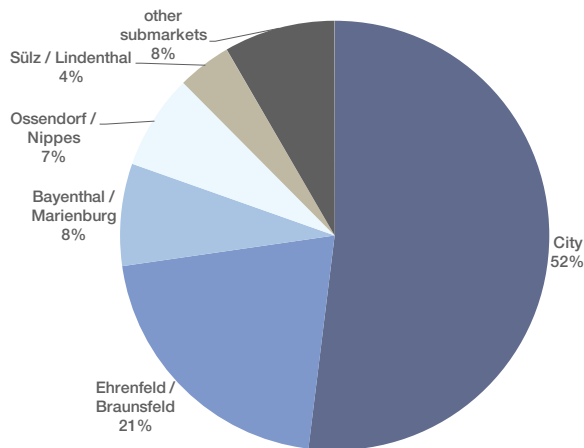
Source: Savills / \* forecast

**GRAPH 24**  
**Rental levels**



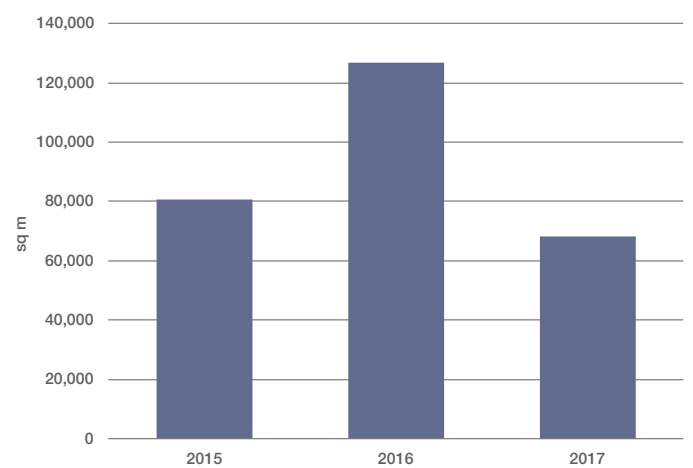
Source: Savills / \* forecast

**GRAPH 25**  
**Take-up by submarket**



Source: Savills

**GRAPH 26**  
**Development pipeline**



Source: Savills

## Cologne market in minutes

Despite shortage of attractive space only few (speculative) developments

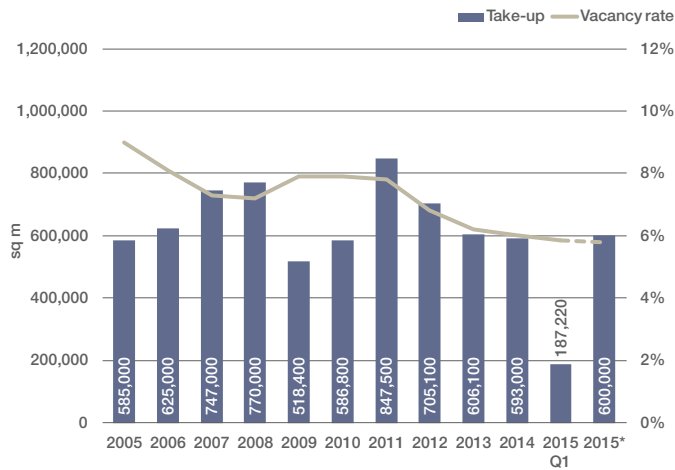
- Office take-up in the first quarter of 2015 totalled 50,800 sq m, representing a decrease of 12.4% compared with the same quarter last year. The prime rent declined by 10.3% to €20.00 per sq m/month while the vacancy rate fell by 20 basis points to 7.4%.
- Between January and March, eight transactions for more than 1,000 sq m were completed, although only one of these was above 5,000 sq m. Large contiguous space is now rare. However, while such space is scarce and owner-occupiers in particular normally prefer new-build, there are only few (speculative) developments in the Cologne market. Developers are currently profiting from such market conditions by agreeing long-term leases on attractive terms.
- In view of market conditions, we expect rents to recover again by the end of the year. With a number of large outstanding requirements in the market, particularly from the public sector, take-up is also likely to improve further over the course of the year to reach the 250,000 sq m mark.



# Munich

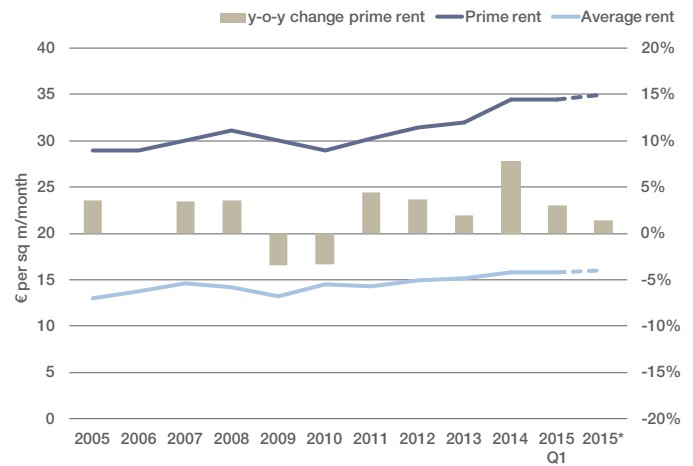
## Q1 2015

**GRAPH 27**  
**Take-up and vacancy rate**



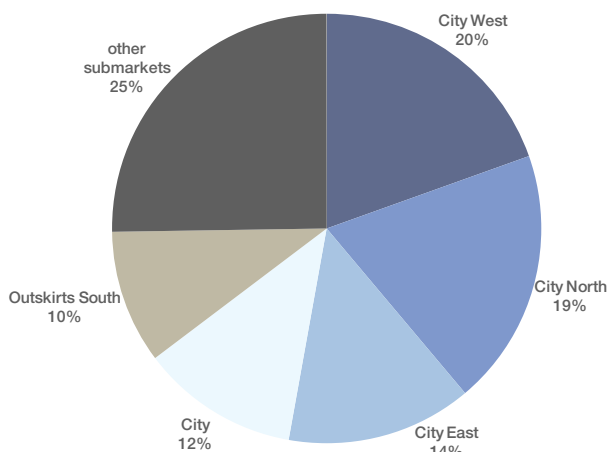
Source: Savills / \* forecast

**GRAPH 28**  
**Rental levels**



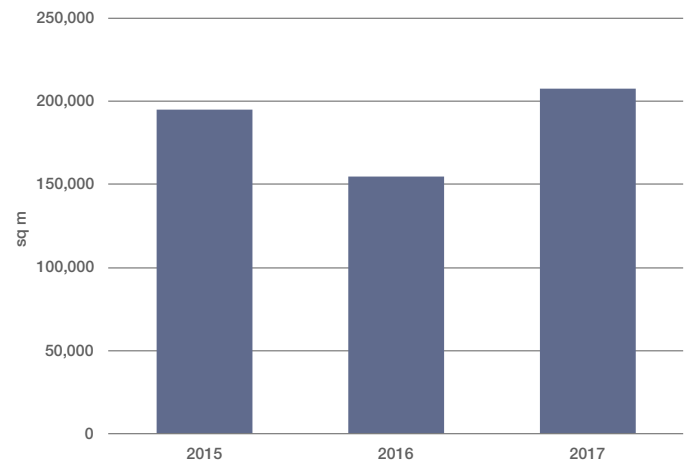
Source: Savills / \* forecast

**GRAPH 29**  
**Take-up by submarket**



Source: Savills

**GRAPH 30**  
**Development pipeline**



Source: Savills

## Munich market in minutes

### Deals of 5,000 sqm and above accountable for significant plus of take-up

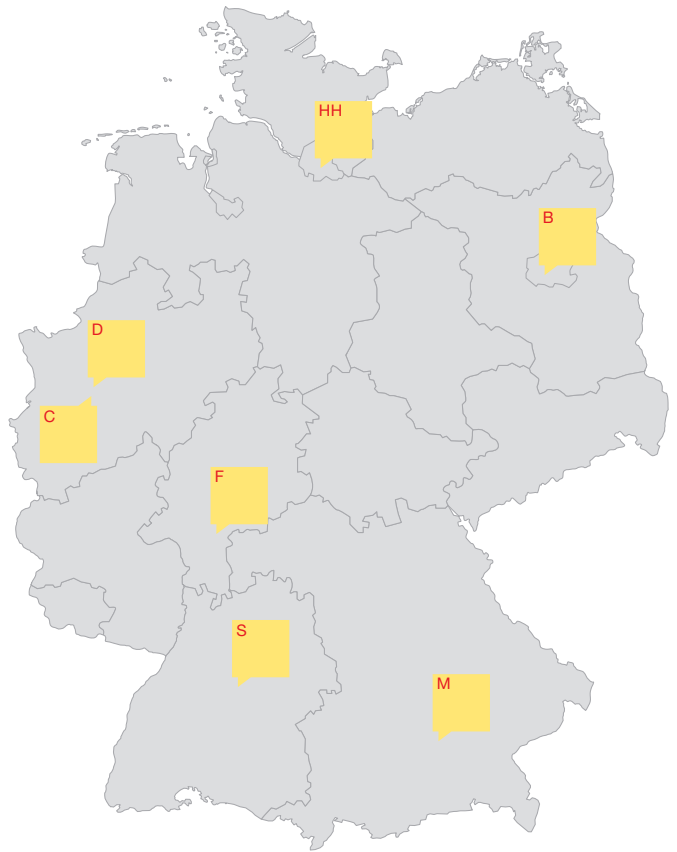
- Office take-up in the first quarter of 2015 totalled 187,220 sq m, representing an increase of 19.7% compared with the same quarter last year. The prime rent rose by 3% to €34.50 per sq m/month while the vacancy rate fell by 10 basis points to 5.9%.
- The high take-up figures also reflect the return of large deals. There were seven transactions for more than 5,000 sq m in the first quarter alone. In 2014, there were just eleven deals in this size segment throughout the entire year.
- With a number of large requirements outstanding in the market (including some for more than 10,000 sq m) or pending completion, there is a high probability that take-up will exceed the 600,000 sq m mark by the end of the year. Owing to the scarce supply in the city centre, the prime rent is expected to rise slightly further over the course of the year.

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