

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

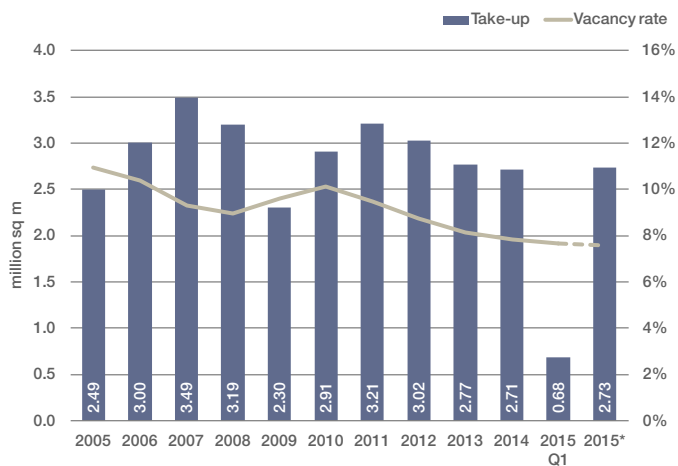
Q1 2015

TABLE 1
Key office market figures

	Take-up (sq m)		Vacancy rate (%)		Stock (million m ²)		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%

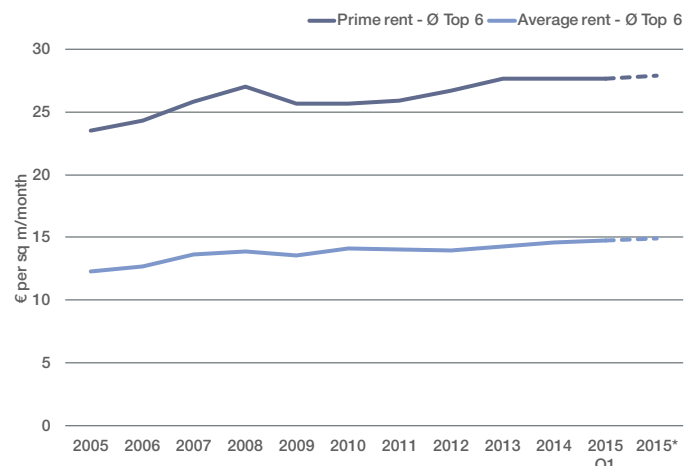
Source: Savills

GRAPH 1
Take-up and vacancy rate



Source: Savills / * forecast

GRAPH 2
Rental levels



Source: Savills / * forecast

Top six market in minutes

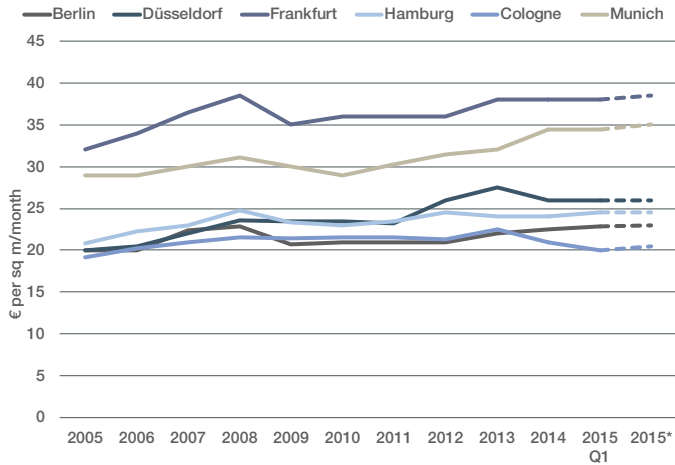
Owner-occupier deals and transactions from public sector drive take-up

- 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

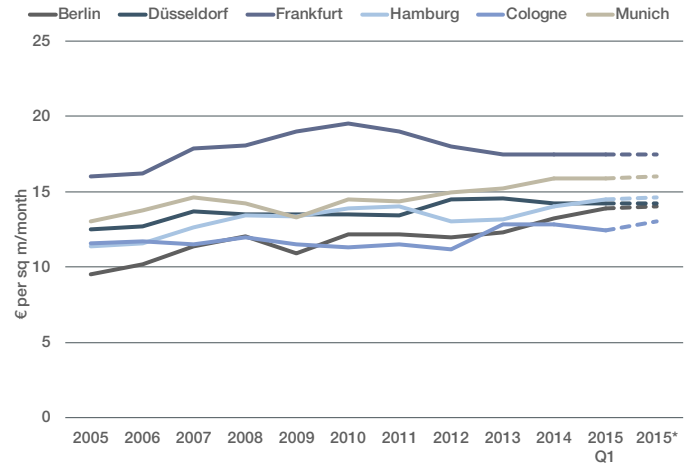
Q1 2015

GRAPH 3
Prime rent by location



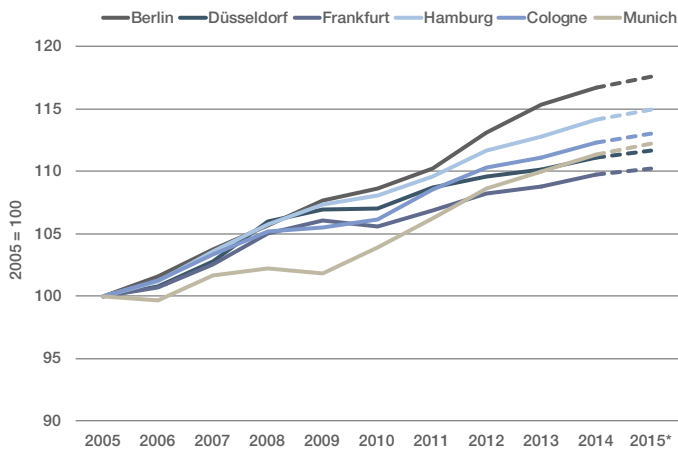
Source: Savills / * forecast

GRAPH 4
Average rent by location



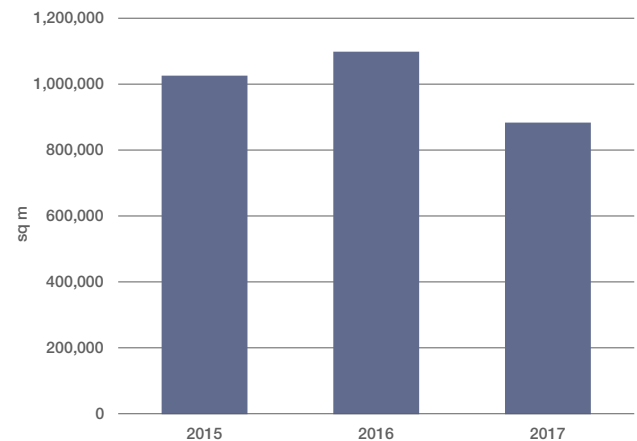
Source: Savills / * forecast

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*

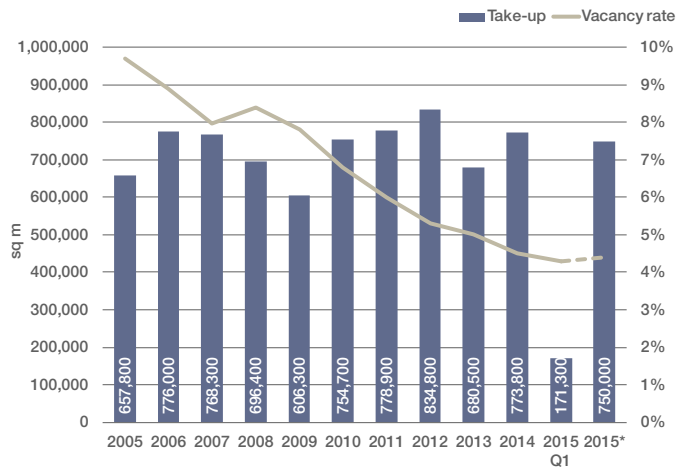
Location	Tenant	Office space (sq m)
Berlin	Rocket Internet	approx. 22,000
Munich	BSH Bosch und Siemens Hausgeräte	approx. 14,500
Munich	Condé Nast	approx. 9,800
Munich	City of Munich	approx. 9,000
Cologne	Jobcenter	approx. 7,600

Source: Savills / * only published transactions are shown

Berlin

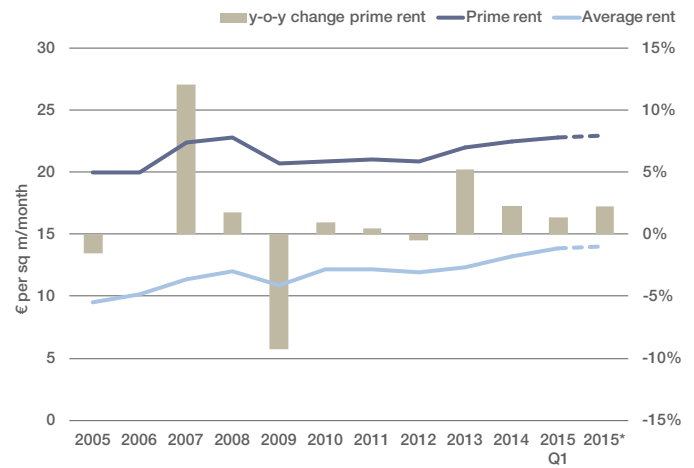
Q1 2015

GRAPH 7
Take-up and vacancy rate



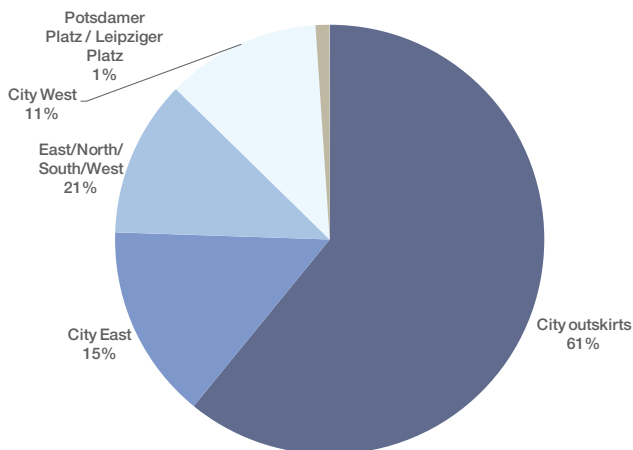
Source: Savills / * forecast

GRAPH 8
Rental levels



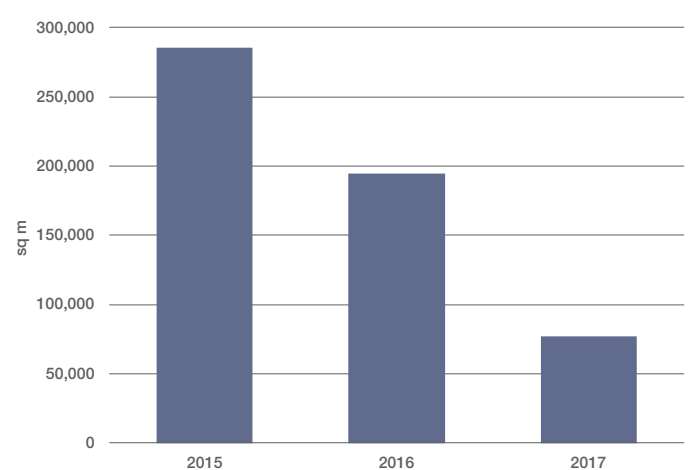
Source: Savills / * forecast

GRAPH 9
Take-up by submarket



Source: Savills

GRAPH 10
Development pipeline



Source: Savills

Berlin market in minutes

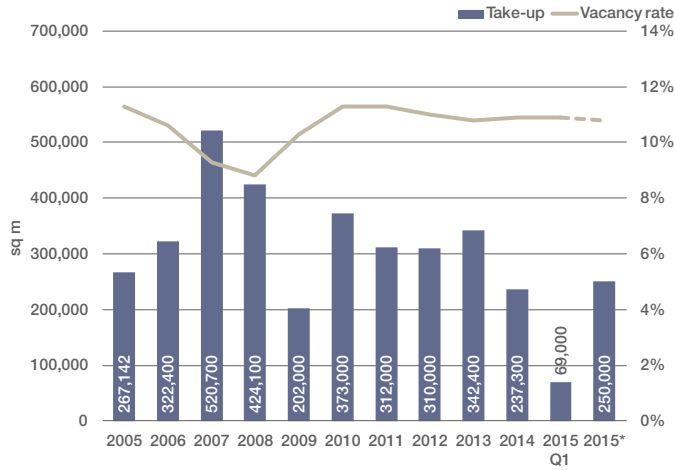
Very high demand, but hardly large deals

- 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

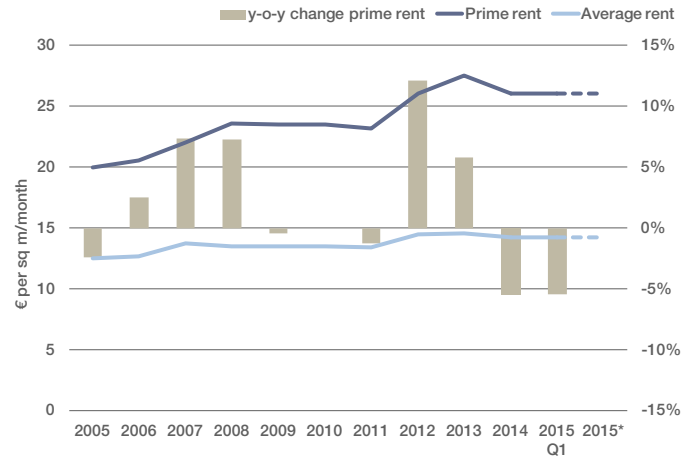
Q1 2015

GRAPH 11
Take-up and vacancy rate



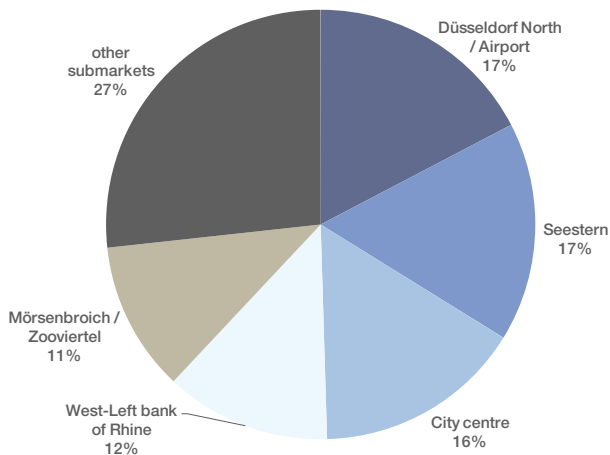
Source: Savills / * forecast

GRAPH 12
Rental levels



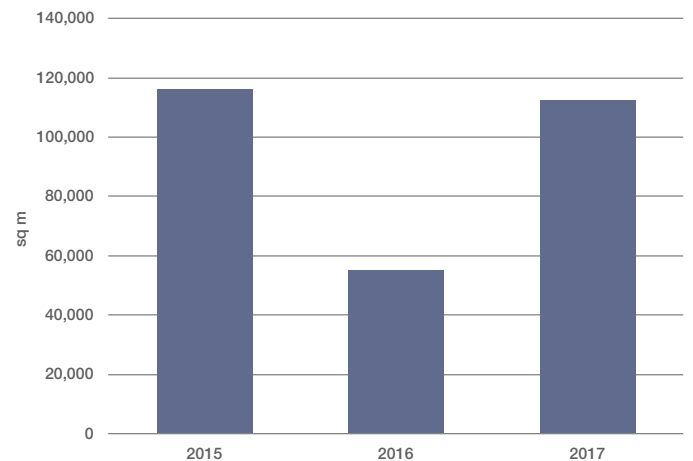
Source: Savills / * forecast

GRAPH 13
Take-up by submarket



Source: Savills

GRAPH 14
Development pipeline



Source: Savills

Düsseldorf market in minutes

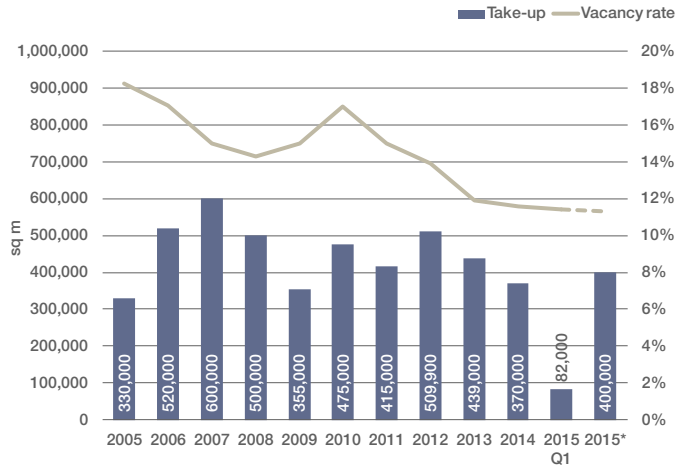
Düsseldorf North / Airport and Seestern with high take-up figures

- 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

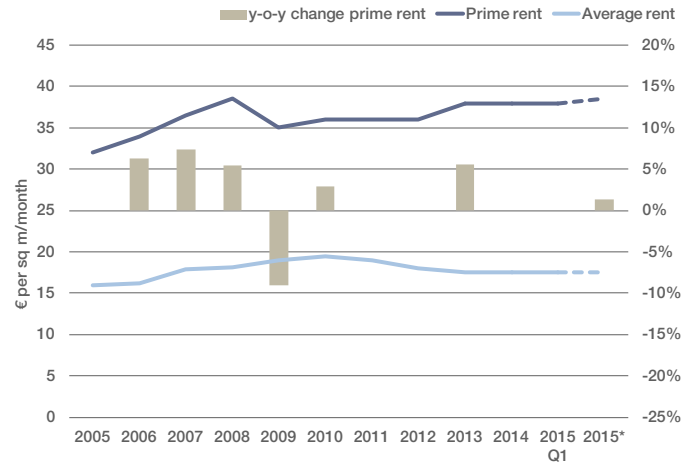
Q1 2015

GRAPH 15
Take-up and vacancy rate



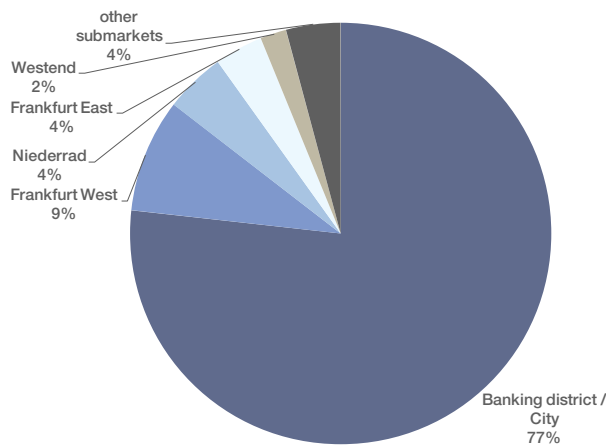
Source: Savills / * forecast

GRAPH 16
Rental levels



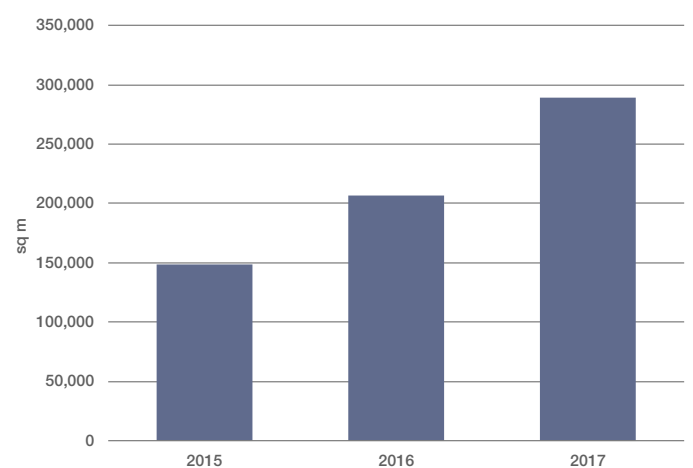
Source: Savills / * forecast

GRAPH 17
Take-up by submarket



Source: Savills

GRAPH 18
Development pipeline



Source: Savills

Frankfurt market in minutes

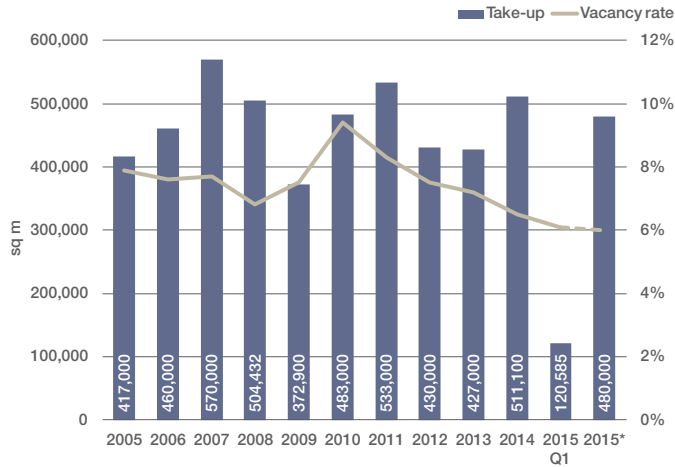
One large owner-occupier deal accounts for 40% of take-up

- 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

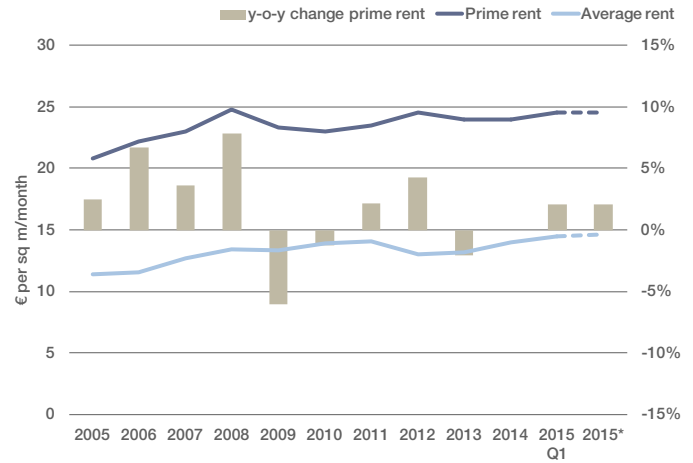
Q1 2015

GRAPH 19
Take-up and vacancy rate



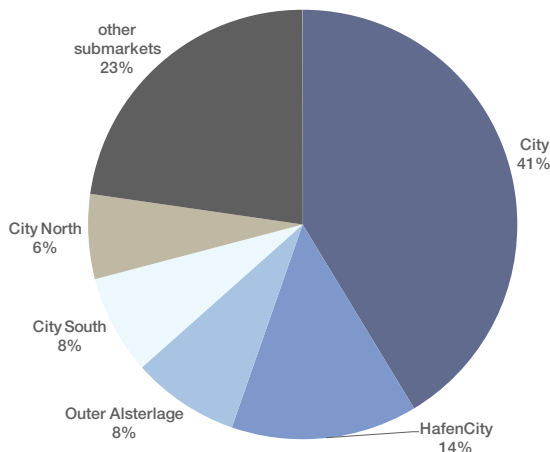
Source: Savills / * forecast

GRAPH 20
Rental levels



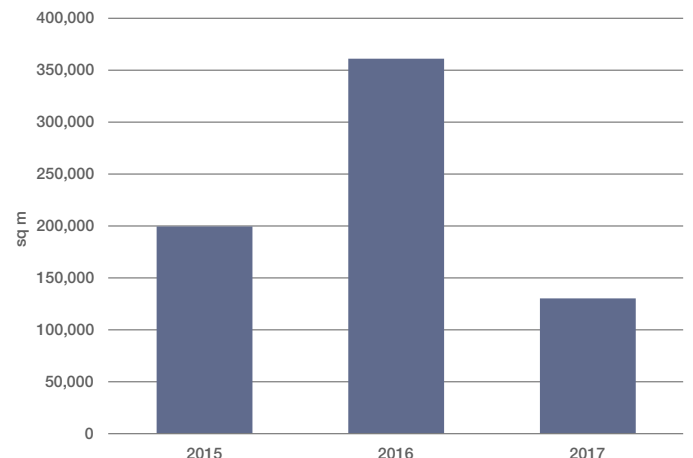
Source: Savills / * forecast

GRAPH 21
Take-up by submarket



Source: Savills

GRAPH 22
Development pipeline



Source: Savills

Hamburg market in minutes

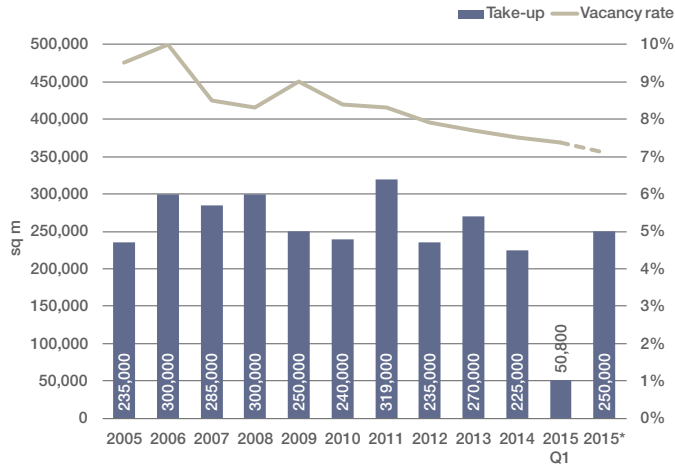
High activity in all size segments

- 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

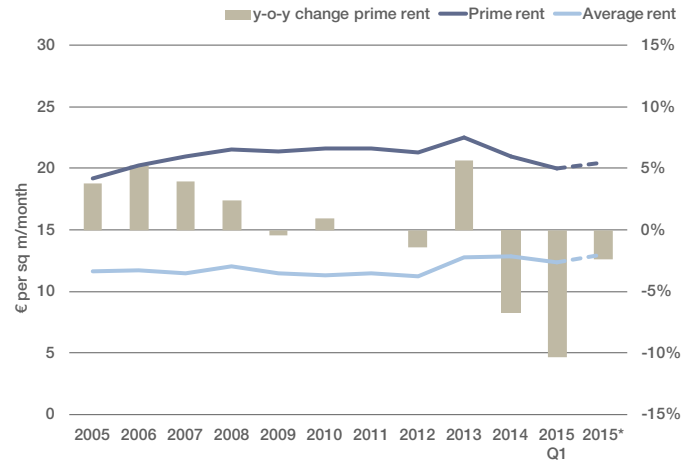
Q1 2015

GRAPH 23
Take-up and vacancy rate



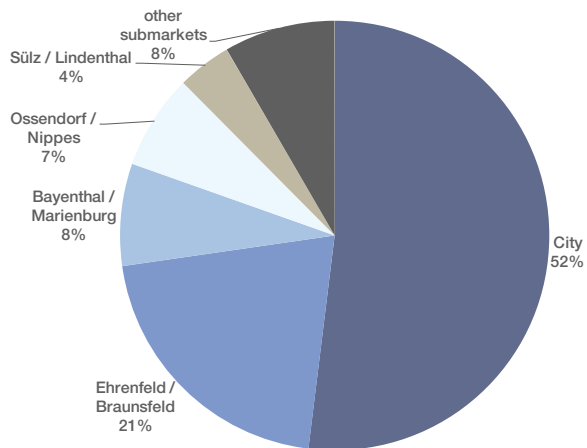
Source: Savills / * forecast

GRAPH 24
Rental levels



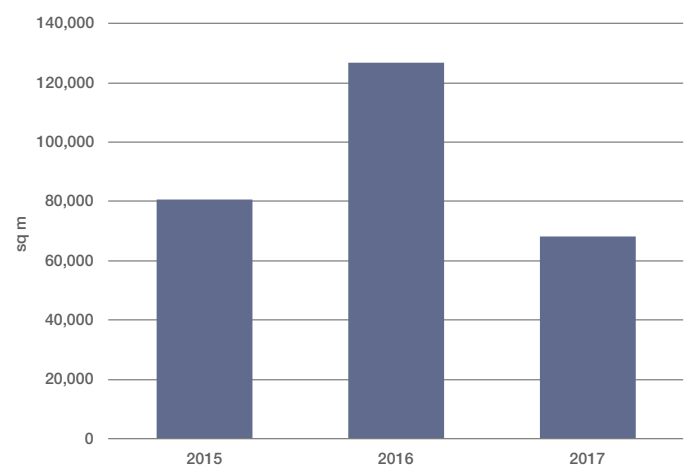
Source: Savills / * forecast

GRAPH 25
Take-up by submarket



Source: Savills

GRAPH 26
Development pipeline



Source: Savills

Cologne market in minutes

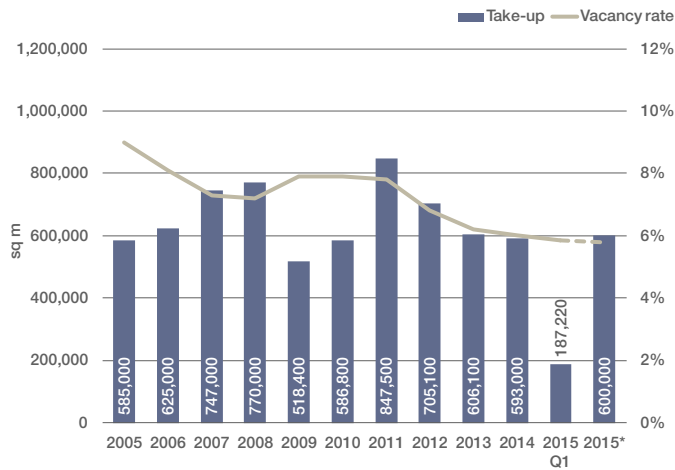
Despite shortage of attractive space only few (speculative) developments

- 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

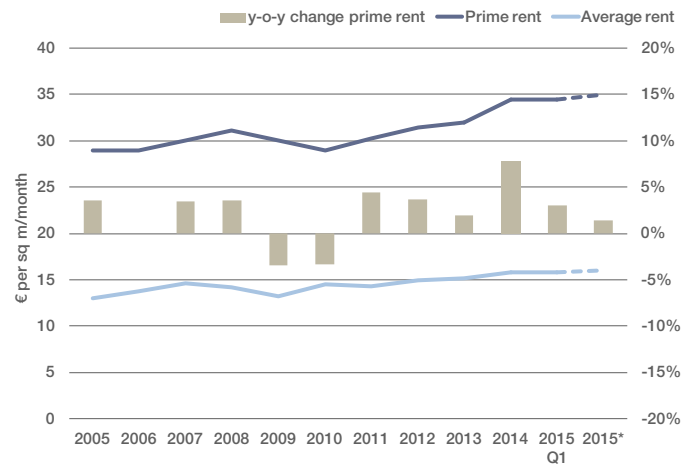
Q1 2015

GRAPH 27
Take-up and vacancy rate



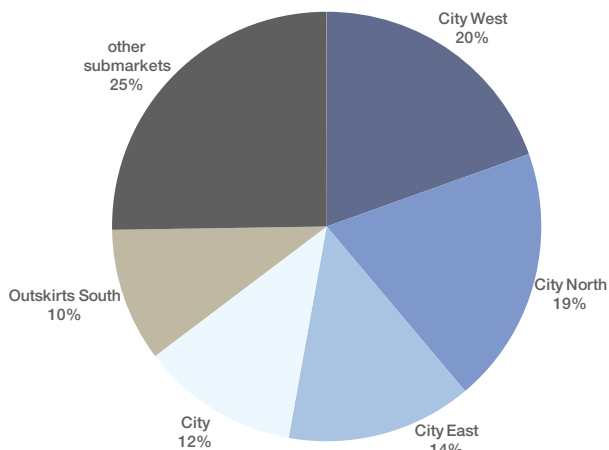
Source: Savills / * forecast

GRAPH 28
Rental levels



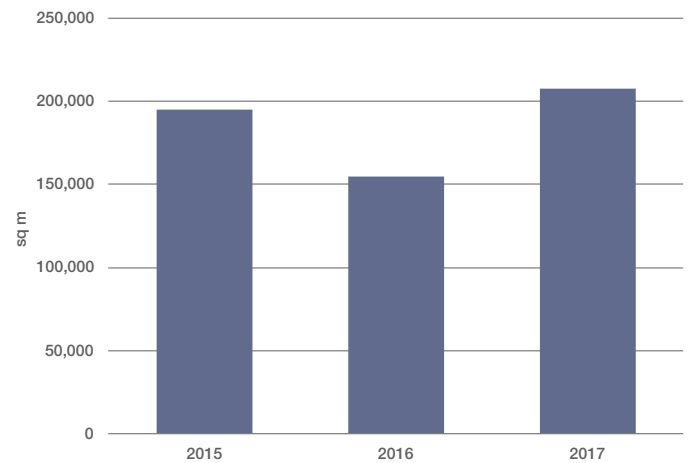
Source: Savills / * forecast

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.

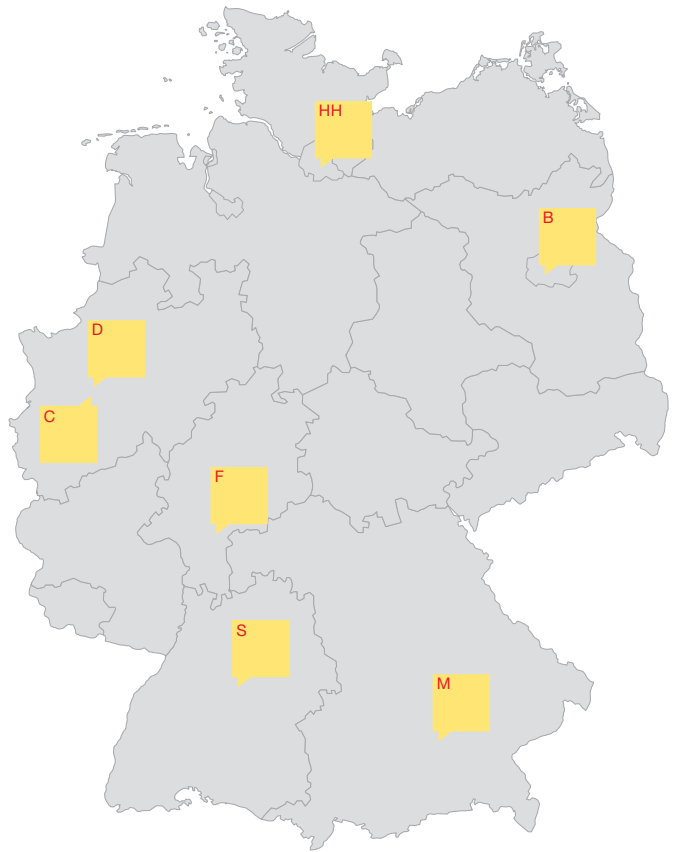
Savills Germany

Savills is present in Germany with around 160 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. Today Savills provides expertise and market transparency to its clients in the following areas of activity:

Our services

- » Purchase and sale of single assets and portfolios
- » Corporate Finance - Valuation
- » Leasing of office and retail buildings
- » Leasing and sale of industrial and warehouse properties
- » Corporate Real Estate Services

www.savills.de



Savills Germany

Please contact us for further information



Marcus Mornhart
Office Agency Germany
+49 (0) 69 273 000 70
mmornhart@savills.de



Christian Leska
Office Agency Berlin
+49 (0) 30 726 165 186
cleska@savills.de



Panajotis Aspiotis
Office Agency Düsseldorf
+49 (0) 211 22 962 220
paspiotis@savills.de



Marcus Mornhart
Office Agency Frankfurt
+49 (0) 69 273 000 70
mmornhart@savills.de



Ken Hoppe
Office Agency Hamburg
+49 (0) 40 309 977 132
khoppe@savills.de



Simon Löseke
Office Agency Cologne
+49 (0) 221 933 313 32
sloeseke@savills.de



Nico Jungnickel
Office Agency Munich
+49 (0) 89 427 292 114
njungnickel@savills.de



Matthias Pink
Research
+49 (0) 30 726 165 134
mpink@savills.de

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 27,000 employees worldwide. Savills is present in Germany with around 160 employees with seven offices in the most important estate sites Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart.

This bulletin is for general informative purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.
© Savills April 2015

