

Office Q1 2021

	YoY Chg.	12-Mo. Forecast
4.6% Vacancy Rate	▲	▲
561,400 Take-up m ²	▼	▲
139.5 Prime Rental Index (Q4 2010=100)	■	■

ECONOMIC INDICATORS Q1 2021

	YoY Chg.	12-Mo. Forecast
-2.2% Germany GDP growth (Q1 2021 vs. Q1 2020)	▼	▲
6.2% Germany Unemployment Rate (Mar. 2021)	▲	▲
4.4% Germany Ifo Employment Barometer (Mar. 2021 vs. Mar. 2020)	▼	■

Source: Moody's Analytics, Federal Employment Agency, ifo institute

Economic sentiment brightens despite prolonged lockdown

The Covid-19 pandemic is entering its second year. The lockdown, which has lasted since November 2020, and the third wave of the pandemic are slowing economic activity. Nevertheless, the economic situation at the end of the first quarter is robust and the outlook in terms of sentiment indicators is positive: the Ifo Business Climate rose to 96.6 points in March 2021, driven in particular by more positive business expectations. The Ifo Employment Barometer rose significantly in March 2021 and now stands at 97.6 points (+4.1 points year-on-year). Despite the brightening economy, uncertainty and caution remained prevalent in the office letting market in the first quarter. As was already the case in the second half of 2020, 'If you don't have to decide, wait and see' continues to apply.

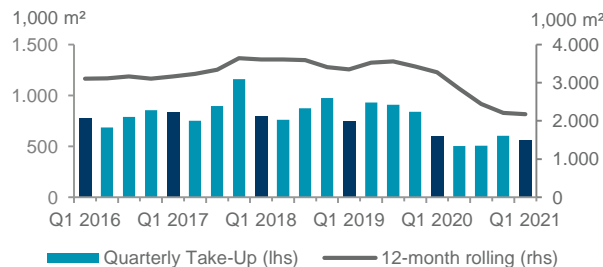
Office take-up down six per cent year-on-year - aggregate vacancy rate rises to 4.6 per cent

In the quarter under review, take-up of 561,400 m² was recorded in the top 5 office markets, this is only 6% below last year's Q1 result, which was still unaffected by the pandemic. In contrast, the decline in take-up for all four "Covid-19 quarters" (Q2 2020 to Q1 2021) is around one third compared to the previous 12-month period. Among the top-5 markets, Berlin is the market with the highest take-up by far, at just over 200,000 m². Berlin is also clearly ahead in terms of large deals. Of the total of nine deals of 10,000 m² or more (around a quarter of total take-up), six were concluded in the German capital. In terms of sector, as in the long-term view the ICT sector/online platforms (17%) leads ahead of public administration (14%). Banks and financial service providers (13%) accounted for a significantly larger proportion of take-up than in previous years (7%), not least due to three deals of 5,000 m² or more. The office vacancy rate across the top-5 markets rose by 0.3 percentage points during the quarter and now stands at 4.6%. This is far less than the level of the last crisis, the financial crisis of 2009 (peak during the crisis: 10.3%). In the first quarter, a total of 300,000 m² of new or refurbished office space was completed. The highest completion figure was registered in Berlin (106,000 m²). For 2021 as a whole, 1.7 million m² is expected. This would be 14% above the level of 2020.

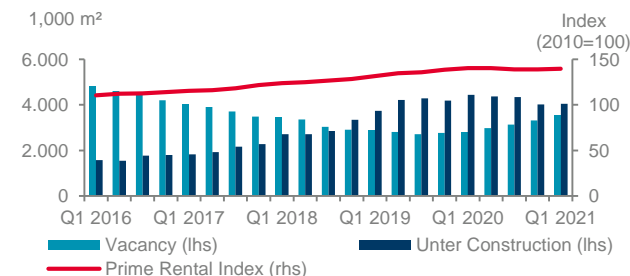
Prime rents generally remain static

In the first quarter, prime rents remained static, with the exception of Frankfurt where an increase to 46.00 euros per m² per month was recorded, as the supply of prime space has fallen significantly. There is no uniform picture for average rental price development, ranging from Düsseldorf (-11%) to Hamburg (+5.9%). In general, however, it is apparent that nominal rents are remaining stable, while effective rents are declining slightly on average. Rent incentives in central locations have risen over the 12-month period from an average of 1.4 to 3.3 rent-free months - this corresponds to 5.5% for a term of five years.

TAKE-UP TOP-5 MARKETS



VACANCY / UNDER CONSTRUCTION / PRIME RENT TOP-5



MARKET STATISTICS

MARKET	Stock (m ²)	Vacancy (m ²)	Vacancy Rate (%)	Take-up (m ²) current Quarter	Take-up (m ²) YTD	Under Construction (m ²)	Prime Rent* (€)	Prime Yield* (%)
Berlin	19,225,200	564,400	2.9%	201,200	201,200	1,675,000	38.00	2.75
Düsseldorf	9,192,100	647,100	7.0%	48,600	48,600	281,400	28.50	2.90
Frankfurt	11,756,800	913,600	7.8%	81,700	81,700	482,300	46.00	2.75
Hamburg	14,989,200	629,500	4.2%	126,000	126,000	604,700	30.00	2.80
Munich	21,480,800	786,400	3.7%	103,900	103,900	1,020,300	39.50	2.50
Total	76,644,100	3,541,000	4.6%	561,400	561,400	4,063,700	46.00	2.74

*Rental /Yields rates reflect achievable values

KEY LEASE TRANSACTIONS Q1 2021

Property	Market	Submarket	Tenant	m ²	Type
Upbeat	Berlin	Central Office Locations East	Deutsche Kreditbank (DKB)	33,500	Pre-lease
Michaelis Quartier	Hamburg	Central Office Locations	Generalstaatsanwaltschaft	17,600	Re-letting
the Move Blue	Frankfurt	Airport	Siemens	15,000	Construction start, owner occupier
Shed	Berlin	BerlinSouth	SRH Hochschule Berlin	12,900	Pre-lease

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KEY SALES TRANSACTIONS Q1 2021

Property	Market	Submarket	Seller / Buyer	m ²	Price (€ mn)
Büroprojekt GIZ	Frankfurt am Main	Eschborn	Phoenix / GIZ	32,000	220
Cielo (50%)	Frankfurt am Main	City-West	RFR / Demire	37,000	135
Streitfeldstraße 17-19	München	City Centre East	Binnberg / BlackRock	8,400	77

KEY CONSTRUCTION COMPLETIONS 2021

Property	Market	Submarket	Major Tenant	m ²	Owner / Developer
CUV - Cuvryhöfe	Berlin	Central Office Locations MediaSpree	various	32,400	Nieto / Terra-Contor
Springer Quartier (Neubau)	Hamburg	City Centre	KPMG	24,000	various Ärzteversorgungen / Momeni and Black Horse
Neue Siederei	München	City Area North-North-West	various	23,400	Family Office Dr. Schnell

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