

YoY Change 12-Month Forecast

**€4.38 bn**

Transaction Volume (cum.)



**65%**

Share of Foreign Capital



**2.60%**

Office Prime Yield, net



**28%**

Share Office Investment Volume



**ECONOMIC INDICATORS**

YoY Change 12-Mo. Forecast

**9.8%**

Berlin Unemployment Rate (Jun 2021)



**774,400**

Berlin Office Employees (Dec 2020)



**0.0%**

ECB Interest Rate (Jun 2021)



**-0.23%**

10-Year Government Bond Yield (Q2 2021)



Source: Federal Employment Agency, Moody's Analytics

**HIGH-PRICED MIXED-USE PROPERTIES DRIVE UP INVESTMENT VOLUME**

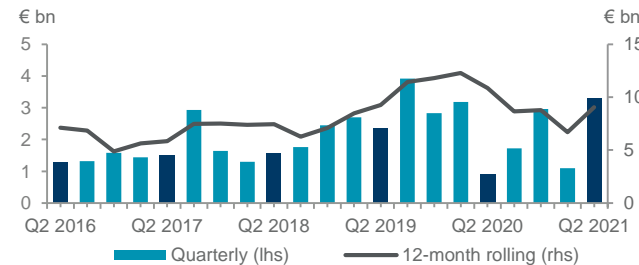
The commercial real estate investment market in Berlin generated a transaction volume of around €4.38 bn in the first half of 2021. Compared to the first half of 2020, this represents a 7% increase and exceeds the first-half average of 2016 to 2020, by roughly 29%. Numerous large-volume single transactions and a strong second quarter overall, with a transaction volume of around €3.29 bn, were responsible for the strong result. Also striking was the high proportion of international capital contribution to investment volume. At 65%, this was even 4 percentage points higher than a year ago. The last time an even higher value was recorded was in the first half of 2017.

Mixed-use properties dominated market activity. Around €1.95 bn or 44% of transaction volume was contributed by this segment. Many of the mixed-use properties also have a significant office component and were therefore interesting to investors who usually focus on the office asset class. This applies particularly to the large-volume Fürst and Quartier 206 properties with office components of almost 60 % and roughly 65 % of the lettable space, respectively.

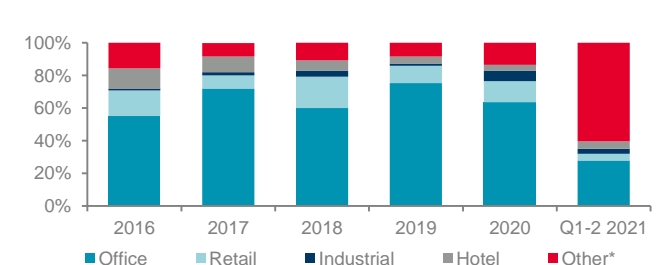
Office-only properties follow in second place with €1.22 bn or 28% of total investment volume, including the Weidt Park Corner and the Park Kolonnaden transactions.

Transactions of retail properties, for example Zehlendorfer Welle, totalled €180 million, which represents only 4% of the total transaction volume. The outcome is 58% below the average of the past 5 first half-years. In this segment, investor restraint concerning prime pitch retail properties and shopping centres is apparent. Logistics and industrial properties reported transaction volume of €132 million, 12% less than in the previous year. The slight decline was due to a lack of supply, not lack of demand. In addition to mixed-use properties, commercial land plots also made a significant contribution to the dominance of the "other" use category. €604 million was invested in plots of commercial land, which is just under 14% of total volume.

**COMMERCIAL TRANSACTION VOLUME\***



**SHARE OF TRANSACTION VOLUME BY ASSET CLASS**



\*Office, Retail, Logistics/Industrial, Hotel, Other (Leisure, Health Care, Mixed Use, Development Plots)

**RELIABLE CASH FLOWS IN HIGH DEMAND**

The allocation of investment volume to risk categories reflects the currently prevailing preference for reliable cash flows and the low level of demand for riskier extant properties. Half of the invested capital was allocated to properties in the Core category and a further 18% was allocated to Core+. About half of the combined transaction volume in the Value-Add and Opportunistic categories comes from the sale of plots of commercial land alone.

**LARGE-SCALE TRANSACTIONS DOMINATE THE MARKET**

Around 68% of Berlin's investment transaction volume was generated by the the €100 million and above price category, where the sales of 12 properties generated a total transaction volume of over €3 billion. The second most important size category was that of €50 million to less than €100 million with a 15% share. With around €240 million (5 %), the category below €25 million played only a minor role.

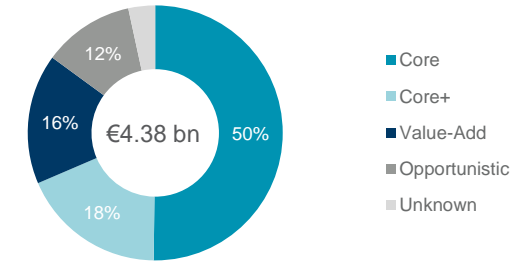
**RISING PRICES FOR LOGISTICS AND OFFICE PROPERTIES IN THE CORE CATEGORY**

The prime yield for office properties currently stands at 2.60%, 30 basis points below the level of a year ago. Since the beginning of the pandemic, the attractiveness of properties with reliable cash flows, long lease terms and tenants with strong credit ratings has increased. The Berlin office market is particularly interesting in this regard because of the high proportion of public sector tenants. Prime logistics and light industrial properties are currently trading at a prime yield of 3.30% in the Berlin region, down from 3.90 % a year ago. The accelerated trend towards online retail during the pandemic was a significant contributor to this. The prime yield for retail properties in prime pitch locations was 3.50 % at the end of the second quarter of 2021, unchanged from last year.

**Outlook**

- As progress is made in the vaccination programme, market participants are also re-intensifying their marketing activities. Despite renewed uncertainties regarding the Delta variant, a solid transaction volume is likely in the second half of the year. Especially regarding office properties, there some larger deals in the pipeline for the remainder of the year, so that a total annual investment volume of roughly €7.5 bn is realistic.
- Given the high liquidity in the capital markets and the continued search for low-risk investments, a further minor degree of yield compression is to be expected for the office property prime yield by the end of the year. This also applies to logistics properties. For retail properties in prime pitch locations, the continuing relaxation of rules in the retail sector is creating more favourable conditions for demand to pick up again.

**TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2021**

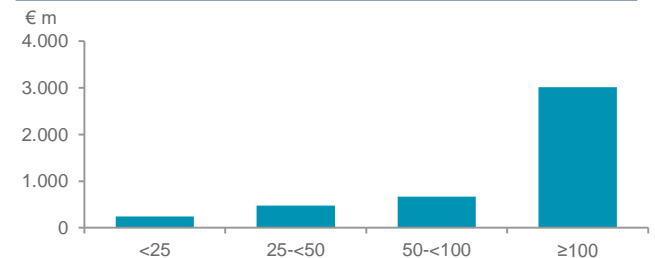


**PRIME YIELD BY ASSET CLASS\***



\* Net initial yield

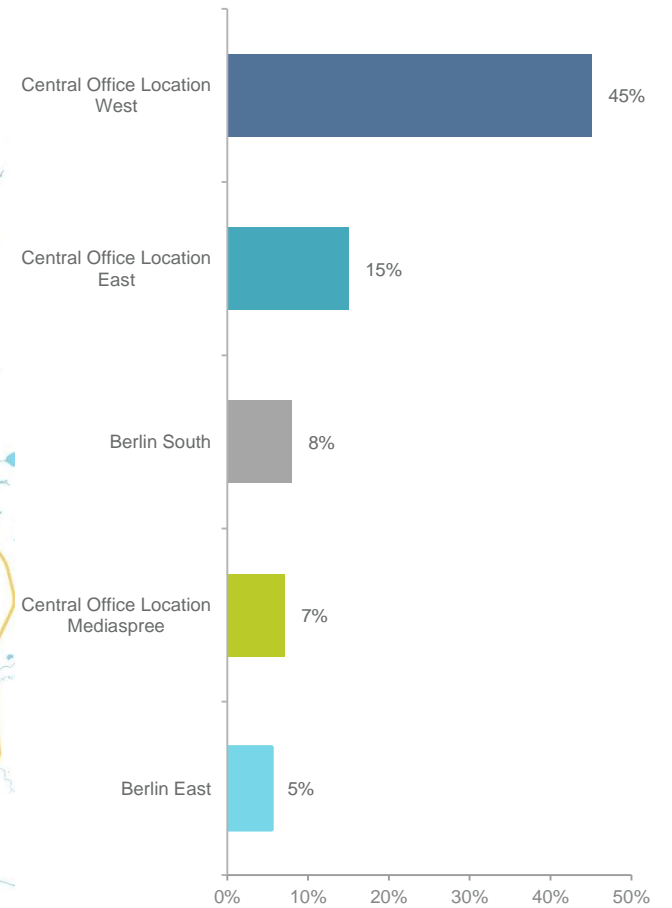
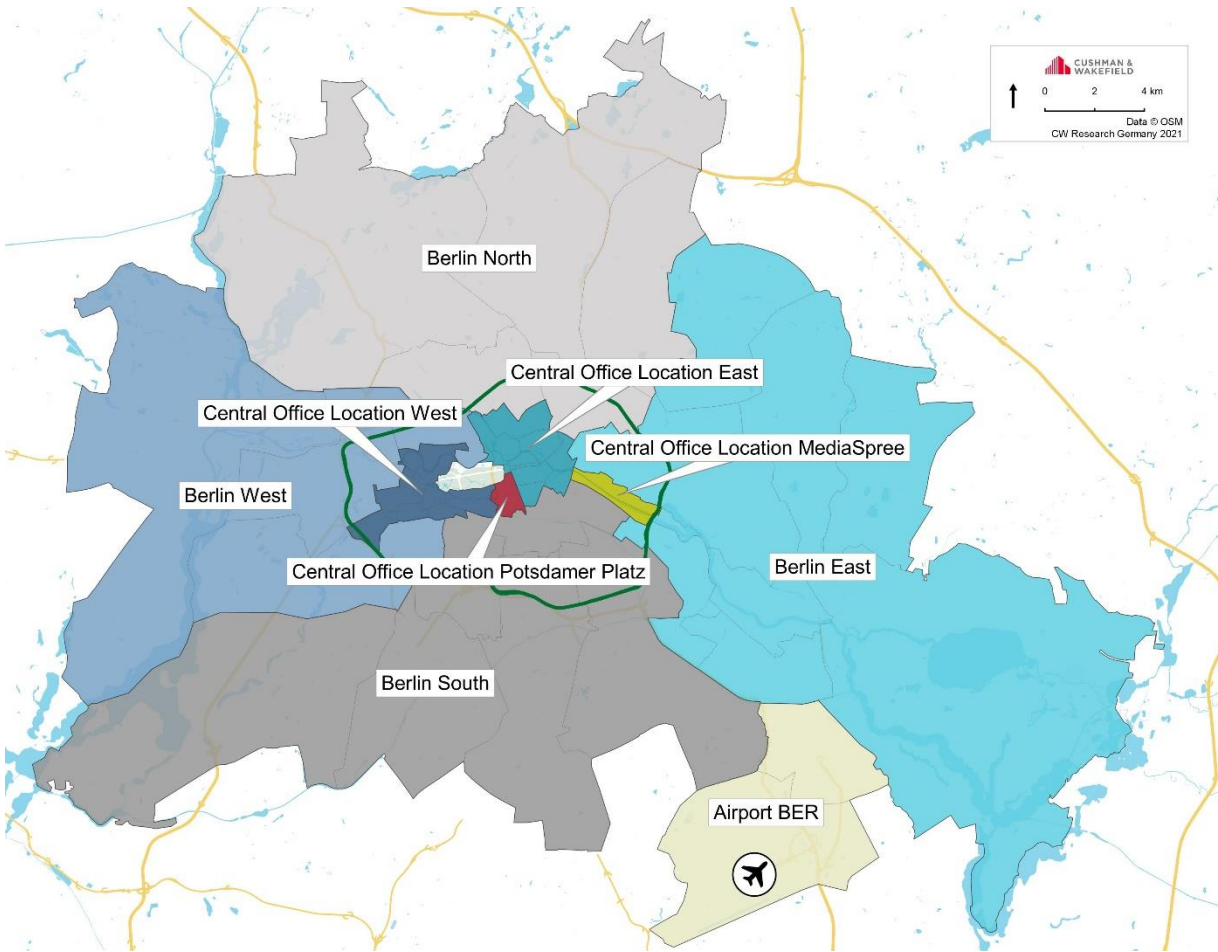
**TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2021\***



\* Each size category in euro million

## SUBMARKET OVERVIEW

## TOP-5 SUBMARKETS BY TRANSACTION VOLUME Q1-2 2021





## MARKET STATISTICS Q1-2 2021

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Industrial Volume	Share of International Capital	Office Prime Yield*	High Street Retail Prime Yield*	Logistics Prime Yield*
Berlin	4.38	28%	4%	3%	65%	2.60%	3.50%	3.30%
YoY Change	+7%	-37 PP	-9 PP	-1 PP	+4 PP	-30 bps	0 bps	-60 bps
<b>Top-7 Markets</b>	<b>12.19</b>	<b>52%</b>	<b>3%</b>	<b>7%</b>	<b>35%</b>	<b>2.84%</b>	<b>3.68%</b>	<b>3.31%</b>
YoY Change	-14%	-14 PP	-6 PP	+3 PP	-3 PP	-11 bps	-2 bps	-60 bps
<b>Germany</b>	<b>22.08</b>	<b>43%</b>	<b>10%</b>	<b>16%</b>	<b>38%</b>	<b>2.84%</b>	<b>3.68%</b>	<b>3.31%</b>
YoY Change	-23%	+3 PP	-13 PP	+4 PP	-4 PP	-11 bps	-2 bps	-60 bps

\*Prime yield is net initial yield, displaying achievable values. Prime yield Germany = Average of Top-7 Markets

PP = Percentage Points    bps = Basis Points

## SELECTED TRANSACTIONS 2021

Property / Address	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
FÜRST, Kurfürstendamm 207, 208	Q2	Mixed Use	Central Office Location West	Vivion / Aggregate Holdings S.A.	~ 1,250
Q206, Friedrichstraße 71	Q2	Mixed Use	Central Office Location East	Credit Suisse / RFR	~ 220
Weidt Park Corner, Otto-Weidt-Platz	Q2	Office	Central Office Location East	DWI Grundbesitz / Generali	~ 200
Gloria Galerie, Kurfürstendamm 12	Q2	Office	Central Office Location West	Centrum / RFR	~ 168
PIER16, Stralauer Allee 15-16	Q2	Plot	Central Office Location MediaSpree	RFR / Vertraulich	~ 140

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