

MARKETBEAT HAMBURG

Investment Q4 2021



CUSHMAN &
WAKEFIELD

YoY 12-Month
Change Forecast

€3.03 bn

Transaction Volume (cum.)



26%

Share of Foreign Capital



2.70%

Office Prime Yield, net



63%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Month Forecast

6.6%

Hamburg Unemployment Rate (Dec 2021)



474,900

Hamburg Office Employees (Dec 2021)



0.0%

ECB Interest Rate (Dec 2021)



-0.28%

10-Year Government Bond Yield (Q4 2021)



Sources: Federal Employment Agency, Moody's Analytics

LIMITED SUPPLY RESTRICTS TRANSACTION VOLUME IN HAMBURG

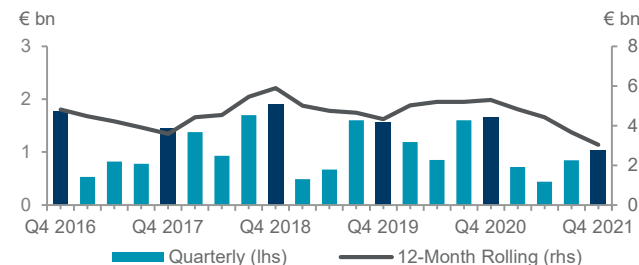
After comparatively low take-up in the first half of the year (€1.16 billion), the commercial real estate investment market in Hamburg gained momentum in the second half (€1.87 billion). The strong Q4 transaction volume of around €1.03 billion contributed to an annual total of around €3.03 billion. Nevertheless, the 2021 annual result is 43% lower than last year's strong figure and 37% below the 5-year average. With 22 transactions contributing 21% of the total volume, the eastern city locations took the lead ahead of the City submarket (19 %).

Office properties were the most sought-after asset class among investors in 2021. In total, around €1.9 billion was invested in acquiring office properties and development projects, which is 63% of the total commercial real estate transaction volume. This falls 43% short of the figure for 2020. The main reason for this is the continuing lack of product in the core segment, because sellers have, in many cases, been holding back their properties due to the pandemic. The largest office transaction and the second largest deal in the overall market was the sale of Marquard & Bahls' headquarters in the HafenCity submarket to J.P. Morgan Asset Management in Q4.

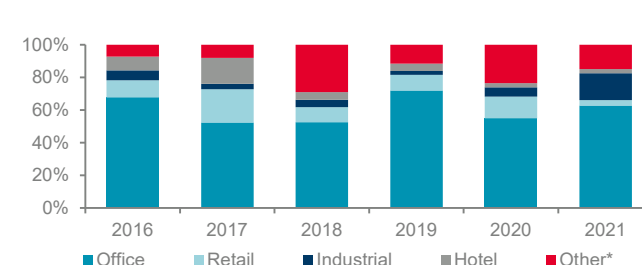
Contributing €500 million, some 27% of the total transaction volume, logistics and industrial properties were the second-strongest asset class in 2021, largely due to the Q2 sale of the Spectrum logistics centre in the east of the city by Fiege Logistik to the DWS Group for around €189 million. The previous year's result was thus exceeded by over 60% and the 5-year average was more than doubled.

Retail property contributed 3% of total commercial real estate transaction volume at €100 million. Compared to 2020, this represents a decline of more than 86%.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



INVESTORS ARE BROADENING THEIR PURCHASING PROFILES

Low-risk investments in the Core and Core+ classes account for 73% of total transaction volume. However, due to the excess demand and supported by positive figures from the office letting market, investors increasingly shifted to value-add assets. Their share of the transaction volume increased five-fold from the first to the second half of 2021, to around €490 million.

One of the transactions in the value-add segment was the sale of the Wintershall Dea headquarters in the City-North submarket. The property, which was developed for Dea in the 1970s, was bought by Becken with the aim of refurbishing it and exploiting its value-add potential.

BROAD DISTRIBUTION OF TRANSACTION VOLUME ACROSS PRICE CLASSES

Six large-volume transactions of €100 million or more made the largest contribution, at 32% of total annual result. The weakest segment was the lowest price category of transactions of less than €25 million. However, at 17%, transactions in this category did still make a significant contribution to overall transaction volume.

PRIME YIELDS FOR FIRST-CLASS OFFICE AND LOGISTICS PROPERTIES UNDER PRESSURE

The net initial yield for prime office properties in Hamburg's central locations compressed by 10 basis points year-on-year to 2.70%, and by the same amount in the non-central locations to 3.90%.

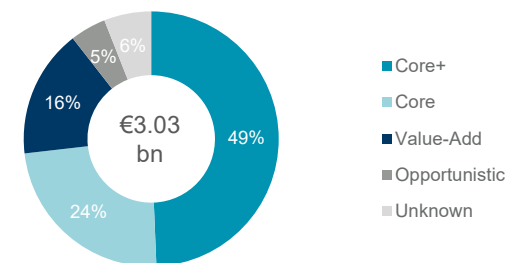
The strong investor interest in high-quality logistics properties caused the prime yield for this segment to fall by 50 basis points year-on-year to 3.00% at the end of 2021.

The prime yield for city centre retail properties is currently 3.65%, which corresponds to a year-on-year compression of 25 basis points.

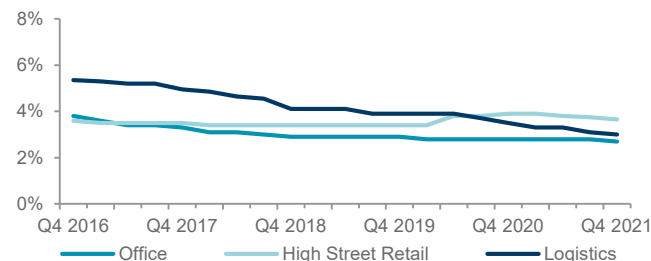
Outlook

- Sustainability aspects are increasingly important in making investment decisions - demand for ESG-compliant assets will increase significantly.
- Core and Core-plus will remain the priority for investors.
- High demand for Core office product is encountering low availability, which is expected to lead to slight yield compression in 2022.
- The increasing demand and the broadening of investors' purchasing profiles to include value-add and opportunistic assets lead us to expect a solid transaction volume matching the 5-year average in 2022.

TRANSACTION VOLUME BY RISK CATEGORY Q1-4 2021

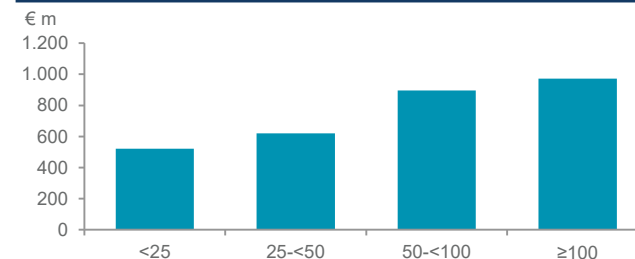


PRIME YIELD BY ASSET CLASS



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-4 2021*



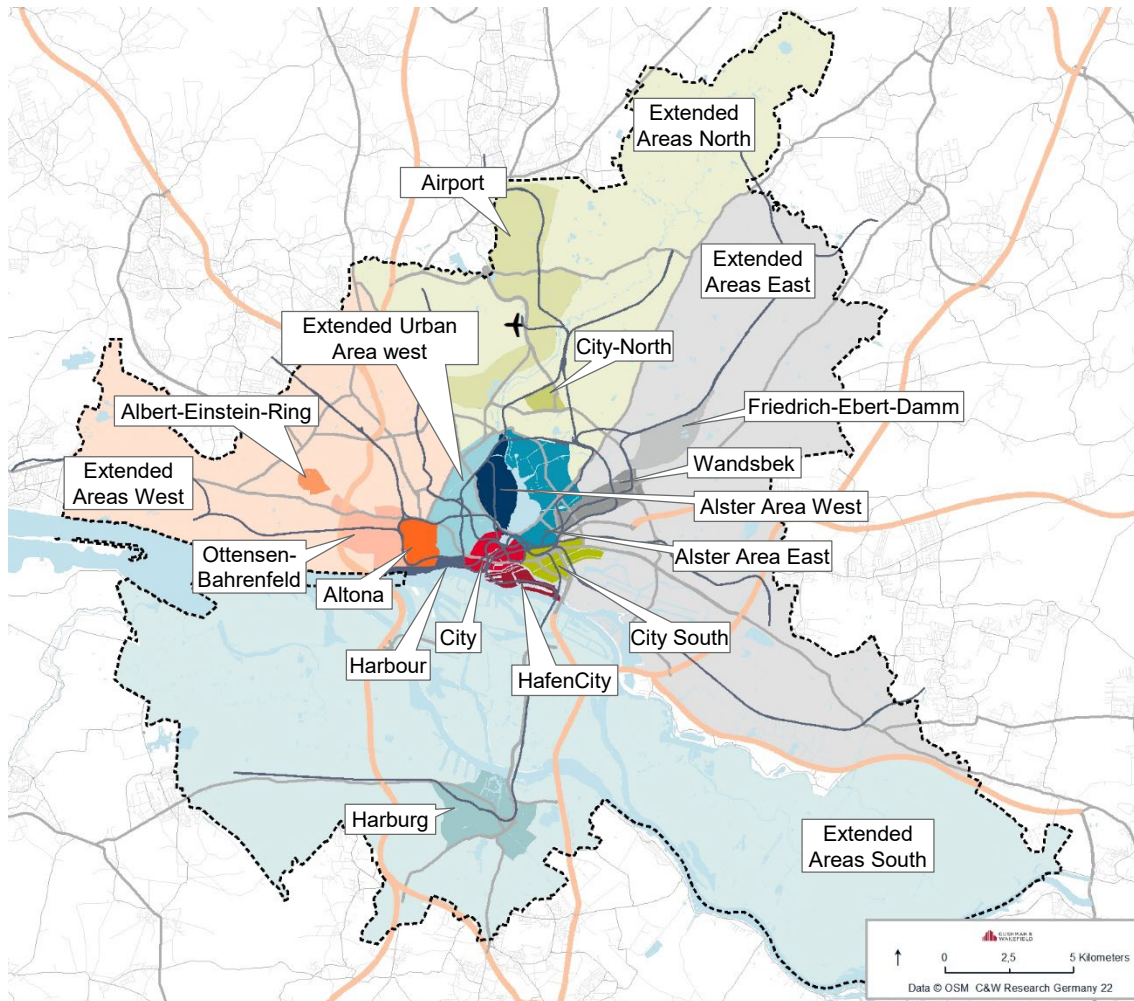
* Each size category in euro million

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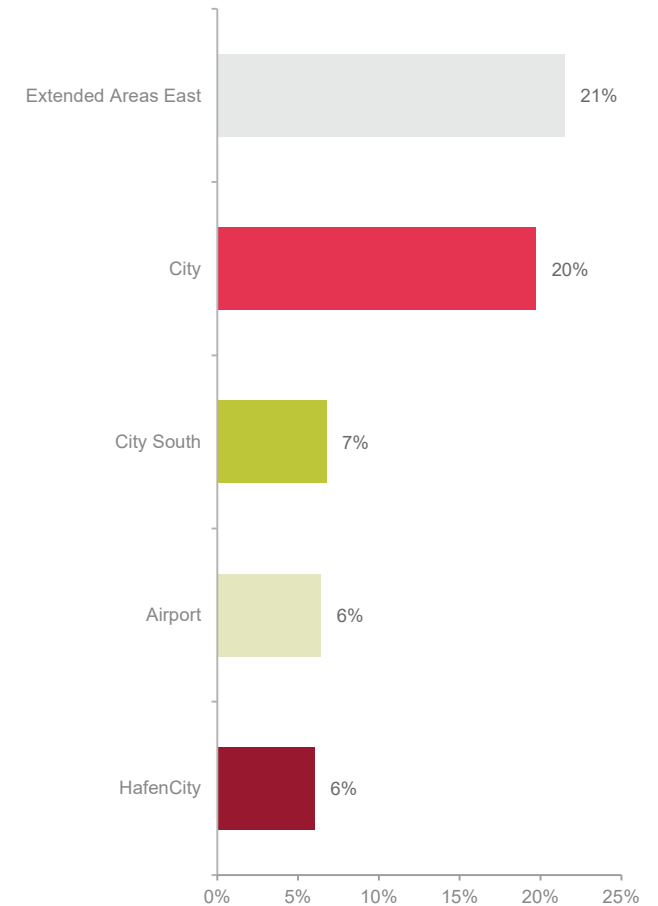
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OFFICE SUBMARKET OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME*



*Q1-3

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MARKET STATISTICS Q1-4 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*
Hamburg	3.03	63%	3%	17%	26%	2.70%	3.65%	3.00%
YoY Change	-43%	+8 PP	-10 PP	+11 PP	-18 PP	-10 BPS	-25 BPS	-50 BPS
Top-7 Markets	34.58	65%	2%	7%	44%	2.76%	3.51%	3.01%
YoY Change	+10%	0 PP	-6 PP	+2 PP	-4 PP	-13 BPS	-27 BPS	-48 BPS
Germany	60.06	46%	12%	15%	38%	2.76%	3.51%	3.01%
YoY Change	+3%	+1 PP	-6 PP	+3 PP	-3 PP	-13 BPS	-27 BPS	-48 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 / Transaction	Quarter	Asset Classes	Submarket	Vendor / Buyer	Price (€ million)
Spectrum, Amandus-Stubbe-Straße 10	Q2	Industrial	Extended Areas East	Fiege Logistik / DWS Group	~ 189
Medienzentrum Rotherbaum, Rothenbaumchaussee 80	Q3	Office	Alster Area West	Jahr Group / Values Real Estate	~ 170
Hamburg Süd Headquarter, Willy-Brandt-Straße 59-65	Q1	Office	City	Oetker Group / Union Investment	~ 155
Generali Office, Norderstraße 101	Q3	Office	City	Commerz Real / B&L Group	~ 150
Marquard & Bahls Zentrale, Koreastraße 7	Q4	Office	HafenCity	Marquard & Bahls / J.P. Morgan Asset Management	confidential

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