

# MARKETBEAT BERLIN

Investment Q1 2022



YoY  
Change

12-Month  
Forecast

**€1.85 bn**

Transaction Volume (cum.)



**66%**

Share of Foreign Capital



**2.60%**

Office Prime Yield, net



**65%**

Share Office Investment Volume



## ECONOMIC INDICATORS

YoY  
Change

12-Mo.  
Forecast

**8.8%**

Berlin Unemployment  
Rate (Mar 2022)



**794,700**

Berlin Office Employees  
(Mar 2022)



**0.0%**

ECB Interest Rate  
(Mar 2022)



**0.10%**

10-Year Government  
Bond Yield (Q1 2022)



Sources: Federal Employment Agency, Moody's Analytics

## SOLID TRANSACTION VOLUME ON THE BERLIN INVESTMENT MARKET

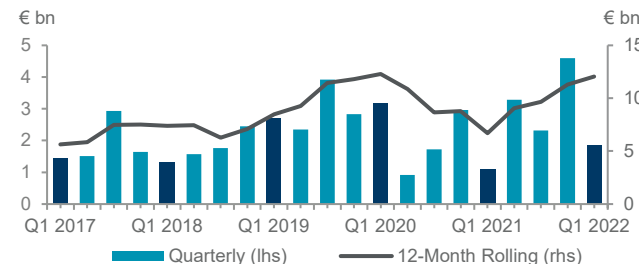
A transaction volume of €1.85 billion was achieved in Berlin's commercial real estate market in the first quarter of 2022. This figure was 69% higher than a year earlier but 41% below the five-year average. The rolling 12-month take-up has risen for the fourth consecutive quarter to €12.05 billion and is only slightly below the record of €12.28 billion set in the first quarter of 2020.

The largest proportion of the capital invested in the first quarter went into office properties, at 65% or €1.2 billion. This was 224% more than in the weak first quarter of 2021 but matches the five-year average of first quarters. These office transactions also included twelve properties from the acquisition of alstria office REIT-AG by Brookfield Asset Management.

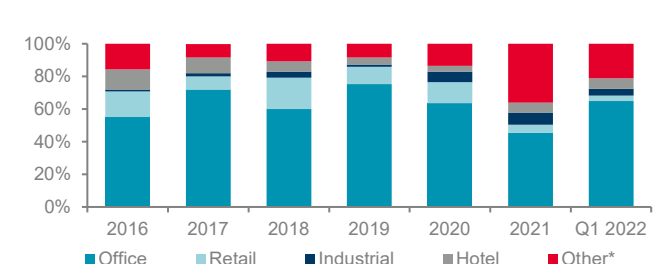
Mixed-use properties, including Quartier 207, also accounted for a significant proportion of the transaction volume at €340 million. Due to a lack of availability, the transaction volume of logistics properties was only €78 million, 14% below last year's level. Retail properties accounted for only 3% of the volume recorded. Here, €60 million correspond to a fall of 63%. Hotel properties generated a volume of €120 million.

Single-property transactions dominated the commercial real estate investment market generating €1.46 billion and 79% of transaction volume. Investment and asset managers were the main buyers, contributing 66% of the volume. Developers were in second place at 28%. International demand for commercial real estate in Berlin was high. The proportion of foreign capital was 66%. The office submarket making the largest contribution to the transaction volume was Central Office Location East, at 31%. Overall, almost half of the transaction volume was generated in the central office locations.

## COMMERCIAL TRANSACTION VOLUME\*



## SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



### LARGE VALUE-ADD DEALS

At the beginning of 2022, value-add properties dominated, accounting for 43% of total transaction volume, including the largest single transaction, the Q207 at around €300 million and the Sheraton Berlin Grand Hotel Esplanade at €116 million. However, properties in the Core+ and Core categories were also in high demand, with a good 22% and a good 18% of volume respectively. The opportunistic risk category contributed 13%.

### HIGH PROPORTION OF LARGE-SCALE TRANSACTIONS

Around 60% of Berlin's investment transaction volume was generated by the €100 million and above price category, whereby the sales of 6 properties generated a total transaction volume of €1.1 billion. The second-strongest size category was that of €50 million to less than €100 million with a 21% share. Followed in third place by the €25 million to under €50 million category, with 13%.

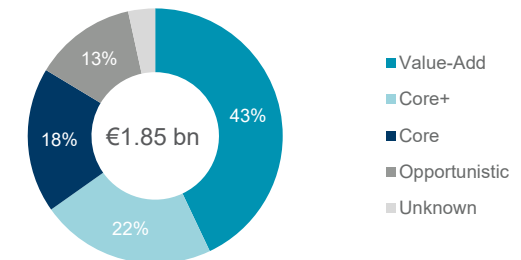
### DOWNWARD TREND IN OFFICE YIELDS STOPPED

The prime yield for Berlin office properties was 2.60% in the first quarter of 2022, 15 basis points below the level of a year ago. It has, however, remained unchanged since the second quarter of 2021. Logistics properties are currently trading at a prime yield of 3.00%. This is 30 basis points less than a year earlier. The prime yield for high street retail properties fell by 30 basis points year on year to 3.30%, after the pandemic had initially caused yields to increase by 50 basis points in 2020.

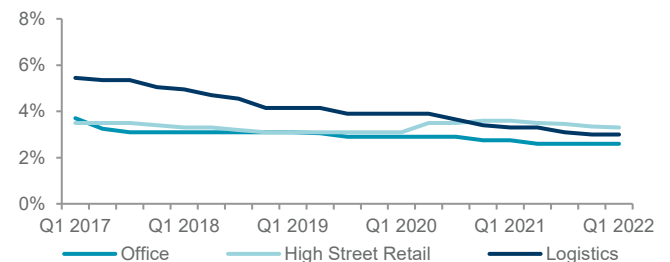
### Outlook

- At the beginning of the second quarter, more than €6 billion in additional assets are already being marketed or are in preparation. Although market conditions are currently changing due to rising financing rates and the slowing economy, investors from all over the world are still exhibiting a high level of interest in Berlin across all risk categories. C&W therefore expects a commercial transaction volume of €12 billion for 2022.
- Due to increased inflation rates and inflation expectations, yields on government bonds have risen sharply worldwide. From the beginning of the year until 19 April, the yield on 10-year government bonds rose by about 140 basis points in the USA and by about 110 basis points in Germany. The ECB recently left the key interest rate for the euro zone unchanged. However, it aims to reduce net bond purchases to zero in the third quarter. The market currently assumes that the first interest rate step will take place in the summer or in September.
- In view of the significant rise in yields for government bonds and thereby also higher financing interest rates, the downward trend in office yields has halted for the time being. C&W expects office yields to rise slightly by the end of the year. C&W estimates the probability and extent of the increase to be higher for properties in poor condition.

### TRANSACTION VOLUME BY RISK CATEGORY Q1 2022

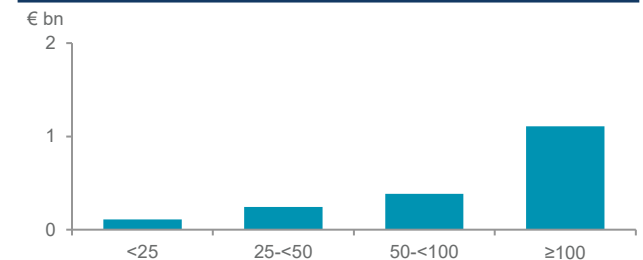


### PRIME YIELD BY ASSET CLASS\*



\* Net initial yield

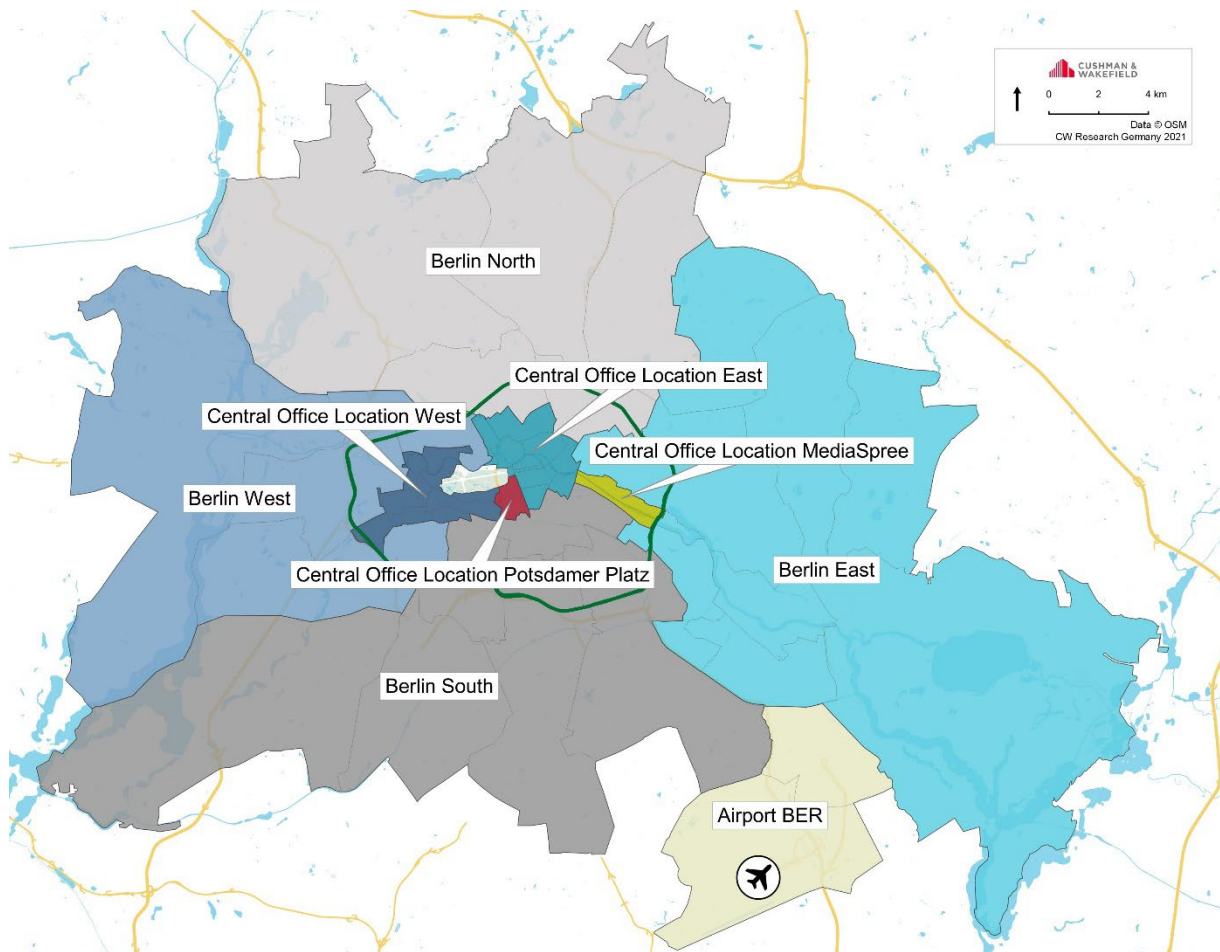
### TRANSACTION VOLUME BY SIZE CATEGORY Q1 2022\*



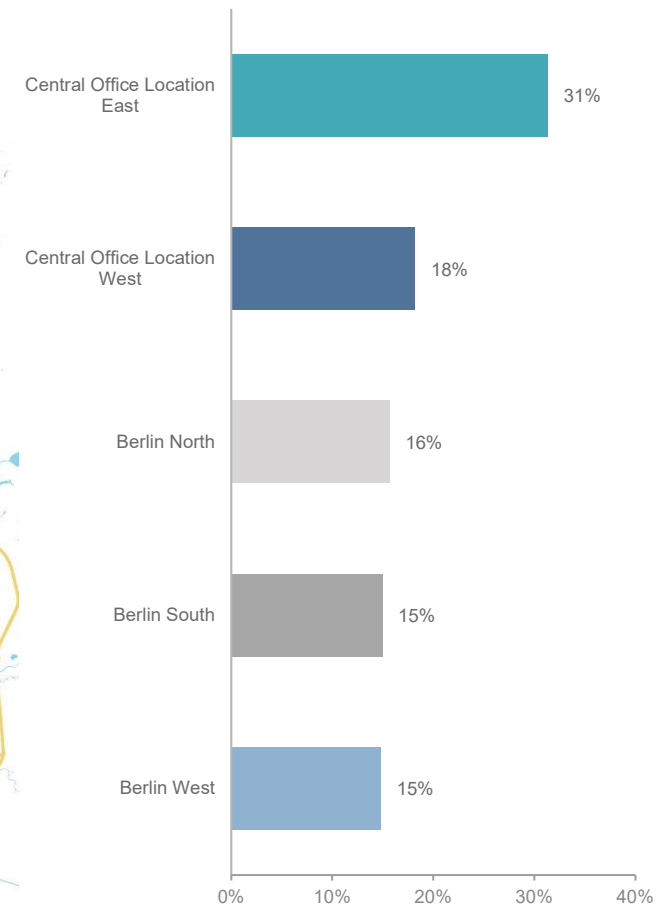
\* Each size category in euro million



## SUBMARKET OVERVIEW



## TOP-5 SUBMARKETS BY TRANSACTION VOLUME\*



\*Q1 2022





### MARKET STATISTICS Q1 2022

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	1.85	65%	3%	4%	66%	2.60%	3.30 %	3.00 %
YoY Change	+69%	+31 PP	-12 PP	-4 PP	+37 PP	-15 bps	-30 bps	-30 bps
<b>Top-7 Markets</b>	<b>9.74</b>	<b>77%</b>	<b>3%</b>	<b>9%</b>	<b>66%</b>	<b>2.74%</b>	<b>3.46%</b>	<b>3.01%</b>
YoY Change	+143%	+24 PP	-4 PP	-2 PP	+41 PP	-13 bps	-32 bps	-33 bps
<b>Germany</b>	<b>18.24</b>	<b>52%</b>	<b>12%</b>	<b>21%</b>	<b>49%</b>	<b>2.74%</b>	<b>3.46%</b>	<b>3.01%</b>
YoY Change	+91%	+18 PP	-1 PP	+1 PP	+21 PP	-13 bps	-32 bps	-33 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 2022

Property / Address	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
Takeover alstria office-REIT AG: subportfolio Berlin (12 properties)	Q1	Office	Various	alstria office REIT-AG / Brookfield Asset Management	~ 390
Q207 Galeries Lafayette, Friedrichstraße 76-78	Q1	Mixed Use	Central Office Location East	Allianz Real Estate / Tishman Speyer	~ 300
Gloria Galerie, Kurfürstendamm 12	Q1	Office	Central Office Location West	RFR / Savills IM	~ 200
Sheraton Berlin Grand Hotel Esplanade, Lützowufer 15	Q1	Hotel	Central Office Location West	Archer Capital / Deutsche Finance International	~ 116

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