

YoY  
Change

12-Month  
Forecast

**€8.54 bn**

Transaction Volume (cum.)

**58%**

Share of Foreign Capital

**3.60%**

Office Prime Yield, net

**38%**

Share Office Investment Volume

### ECONOMIC INDICATORS

YoY  
Change

12-Mo.  
Forecast

**8.6%**

Berlin Unemployment  
Rate (Dec 2022)

**835,500**

Berlin Office Employees  
(Dec 2022)

**2.50%**

ECB Interest Rate  
(Dec 2022)

**2.15%**

10-Year Government  
Bond Yield (Q4 2022)

Sources: Federal Employment Agency, Moody's Analytics

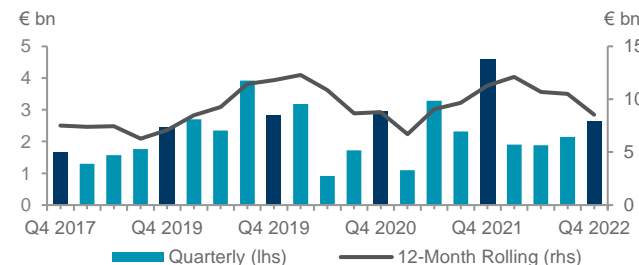
### FALLING TRANSACTION VOLUME FOR MOST ASSET CLASSES

For 2022 a transaction volume of €8.54 billion was noted in Berlin's commercial real estate market. This is a fall of 24% year-on-year and 8% less than the five-year average. At €2.62 billion, Q4 had the strongest transaction volume, but was characterised by transactions that are not representative of the current market environment. The result disguises the weak on-market activity in the 4th quarter. €545 million alone was related to off-market deals involving the State of Berlin, including the sale of large areas of Tegel Airport by the Federal Government to the State of Berlin and the purchase of Hamburger Bahnhof and Rieckhallen by the State of Berlin. In addition, there were large off-market deals for the Heidestrasse urban district development.

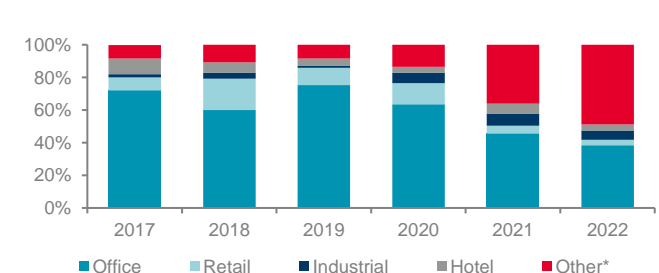
With €3.29 billion and 38% of the total commercial real estate transaction volume in 2022, office properties were less dominant than in 2021 (45%). Seven transactions exceeded the €100 million mark, with none of these occurring in Q4. The two largest office transactions, Voltair and TechnoCampus Berlin, occurred in Q3. In the last three months of the year, office properties worth just under €400 million were traded. Mixed-use properties achieved a high transaction volume of €2.6 billion, even exceeding the previous year's figure by 17%. This includes the largest transactions of the year, the acquisition of 50% of the Sony Center for €677 million by Norges in Q2 and several sales of parts of the Heidestrasse district development. Commercial development plots achieved a relatively high transaction volume of over €1.2 billion, although this was 15% lower than in 2021. Logistics and industrial properties, at €490 million, and contributing 6% of total commercial real estate transaction volume, achieved weaker result than a year ago (€850 million, 8%). Retail property transaction volume also experienced a decline, with €280 million and a 3% contribution compared to €550 and 5% in 2021.

Portfolio transactions accounted for only about €1.5 billion or 17% of the total volume. The proportion of foreign capital fell slightly compared to the previous year, from 62% to 58%. It is assumed that this proportion will continue to decline in 2023, as the risk associated with the German real estate market in the eyes of foreign investors has recently increased significantly. The office submarket making the largest contribution to the transaction volume was Europacity - Central Station, at 16%, followed by Inner City South at 10%.

### COMMERCIAL TRANSACTION VOLUME\*



### SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



### CORE PROPERTY TRANSACTIONS EXHIBIT SIGNIFICANT DECLINE

Core was again the segment with the highest transaction volume, contributing 30%, even though this proportion fell by 13 percentage points year-on-year. Value-Add properties accounted for 24% of volume, followed by Opportunistic and Core+ with 20% each. The high level of Opportunistic investment is explained by the very active trade in development plots. This was assisted by the fact that the sellers had sufficient leeway for price reductions due to strong value appreciation in recent years, which made it easier to negotiate prices.

### HIGH PROPORTION OF LARGE-SCALE TRANSACTIONS

The transaction volume in 2022 was strongly characterised by large transactions of more than €100 million. 20 properties changed hands for a total of €5.0 billion, which corresponds to 59% of transaction volume. The second most important size category was that of €50 million to less than €100 million, with a 20% share.

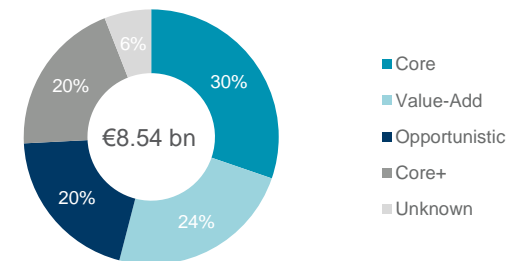
### SHARP RISE IN PRIME YIELDS

Due to the drastic changes in interest rates, the prime office yield rose by 100 basis points over the course of 2022 and now stands at 3.60%. The move accelerated in Q4 with a 40 basis point increase quarter-on-quarter. The spread between prime office yields and the yield of the 10-year government bond is only 130 basis points. Conditions with such low risk premiums have historically always been resolved by a further increase in prime office yields and/or a compression of government bond yields. The prime yield for logistics properties also rose significantly and now stands at 3.60%, up 40 basis points on the previous quarter and up 100 basis points on the end of 2021. The increase was smaller for city centre high street retail property yields, which were only 10 basis points higher quarter-on-quarter and 15 basis points higher year-on-year at 3.50%.

### Outlook

- In the short term, no change in office or government bond yields sufficient to simplify pricing is expected. Moreover, the greater risk awareness of foreign investors towards German real estate is not going to change in the immediate future. At least not without a significant easing of energy market conditions.
- Some domestic investors are no longer active on the demand side because they signed forward deals without securing low interest rates, which now have to be backed by more equity due to the higher level of financing rates in order to achieve the targeted return on the investment. This equity is now unavailable for new purchases.
- The transaction volume in 2023 is expected to be weaker than in 2022 until at least mid-year.

### TRANSACTION VOLUME BY RISK CATEGORY Q1-4 2022

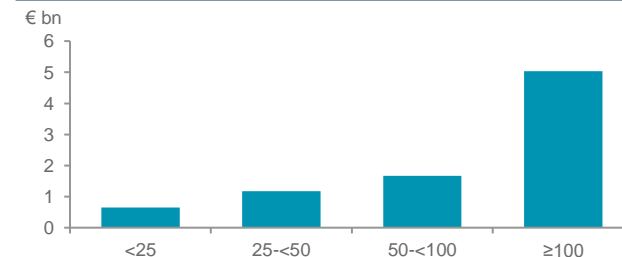


### PRIME YIELD BY ASSET CLASS\*



\* Net initial yield

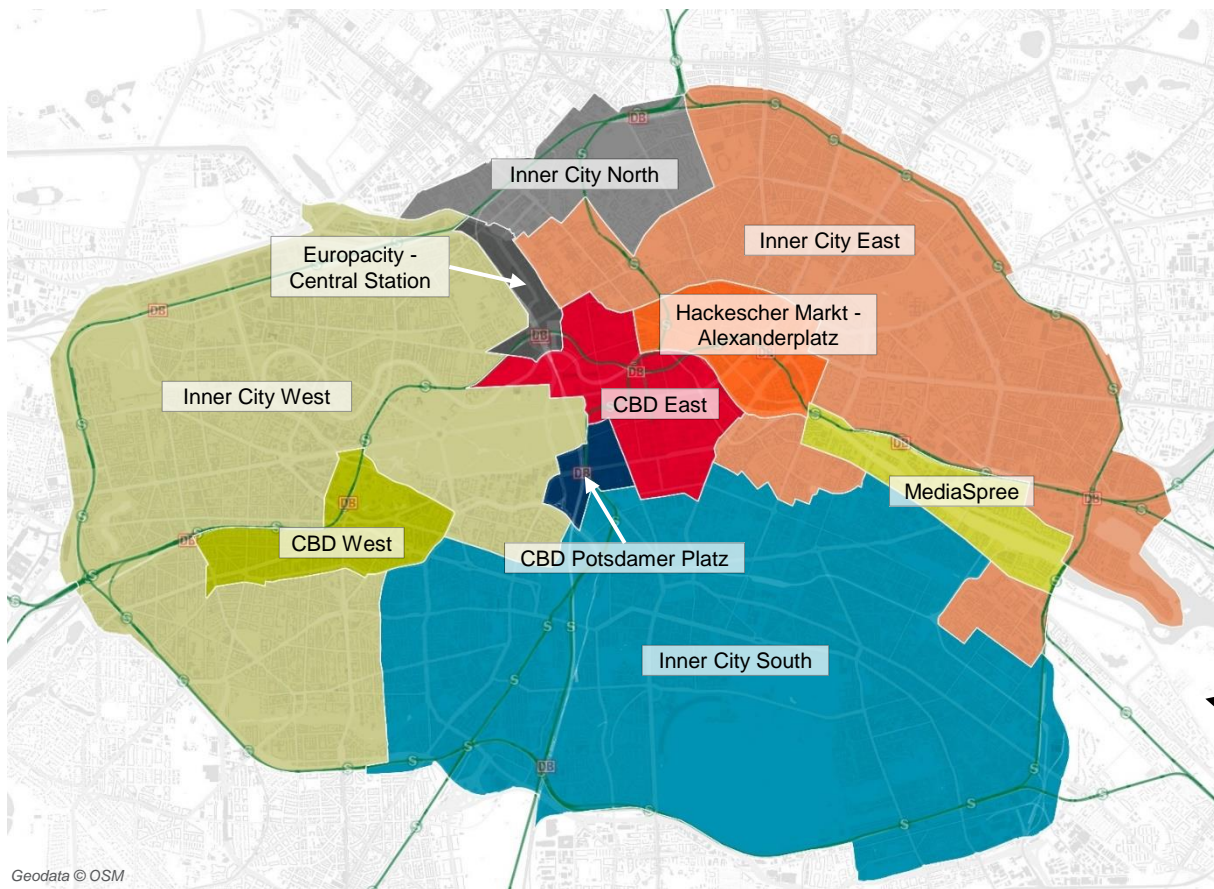
### TRANSACTION VOLUME BY SIZE CATEGORY Q1-4 2022\*



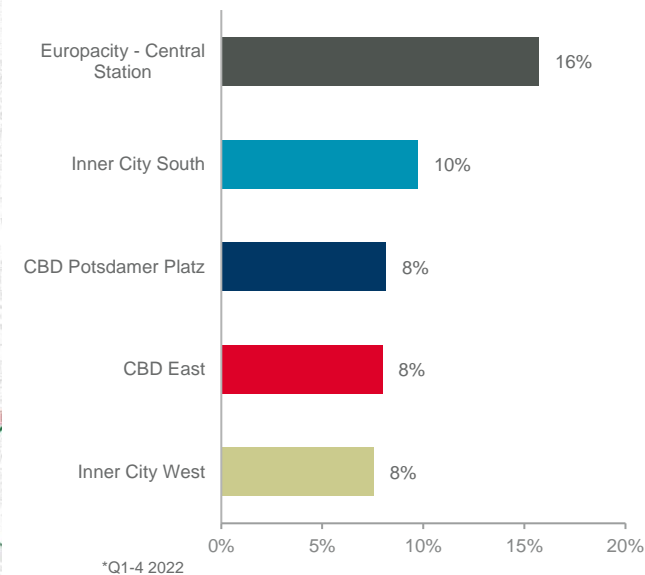
\* Each size category in euro million



## SUBMARKET OVERVIEW



## TOP-5 SUBMARKETS BY TRANSACTION VOLUME\*



### MARKET STATISTICS Q1-4 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*
<b>Berlin</b>	<b>8.54</b>	<b>38%</b>	<b>3%</b>	<b>6%</b>	<b>58%</b>	<b>3.60%</b>	<b>3.50%</b>	<b>4.00%</b>
YoY Change	-24%	-7 PP	-2 PP	-2 PP	-4 PP	+100 bps	+15 bps	+100 bps
<b>Top-7 Markets</b>	<b>26.74</b>	<b>56%</b>	<b>4%</b>	<b>9%</b>	<b>50%</b>	<b>3.51%</b>	<b>3.60%</b>	<b>4.00%</b>
YoY Change	-22%	-10 PP	+2 PP	+2 PP	+6 PP	+75 bps	+19 bps	+99 bps
<b>Germany</b>	<b>51.70</b>	<b>39%</b>	<b>15%</b>	<b>18%</b>	<b>43%</b>	<b>3.51%</b>	<b>3.60%</b>	<b>4.00%</b>
YoY Change	-14%	-7 PP	+3 PP	+3 PP	+6 PP	+75 bps	+19 bps	+99 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)
Sony Center (50%)	Q2	Mixed Use	CBD Potsdamer Platz	Oxford Properties / Norges Bank Investment Management	~ 680
QH Colonnades, QH Straight, QH Crown 2	Q4	Mixed Use	Europacity - Central Station	Aggregate Holdings / Imfarr and Peter Korbacka	~ 490
Voltair	Q3	Office	Hackescher Markt - Alexanderplatz	ABG Real Estate / Swiss Life AM and Norges Bank Investment Management	~ 460
TechnoCampus Berlin	Q3	Office	Berlin West	AXA IM / Caleus Capital Partners II	~ 450

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