

MARKETBEAT HAMBURG

Investment Q2 2023



CUSHMAN &
WAKEFIELD

YoY 12-Month
Change Forecast

€450 m

Transaction Volume (cum.)



34%

Share of Foreign Capital



4.00%

Office Prime Yield, net



60%

Share Office Investment Volume

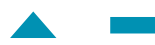


ECONOMIC INDICATORS

YoY
Change 12-Month
Forecast

7.3%

Hamburg Unemployment
Rate (Jun 2023)



501,600

Hamburg Office Employees
(Jun 2023)



4.00%

ECB Interest Rate
(Jun 2023)



2.43%

10-Year Government
Bond Yield (Q2 2023)



Sources: Federal Employment Agency, ECB, Moody's Analytics

EXTENDED PRICING CONVERGENCE PROCESS PROLONGS LULL

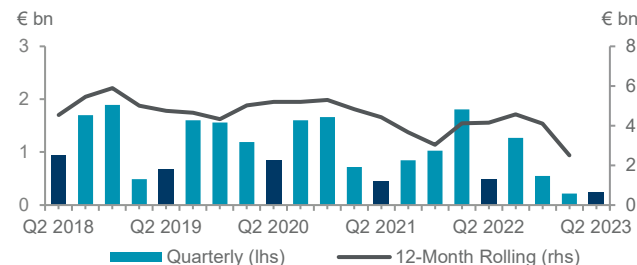
In the first half of 2023, Hamburg's commercial real estate investment market generated a transaction volume of €450 million. This is the lowest H1 result since 2009, during the financial crisis, and represents an 80% decline from the previous year's equivalent figure of €2.28 billion, although this figure had been substantially boosted by the alstria office portfolio transaction. The result also fell 75% short of the H1 5-year average of some €1.79 billion.

Office real estate and development projects were the dominant asset classes, with a total transaction volume of €270 million in H1, some 60% of the total transaction volume. This is 84% below the very high figure of the previous year (€1.64 billion). The largest office transaction, at €119 million, was also the largest transaction in the Hamburg market in H1. PPS Immobilien Holding sold the Fritz-Schumacher-Building on Gänsemarkt in the City submarket to the City of Hamburg for its own use.

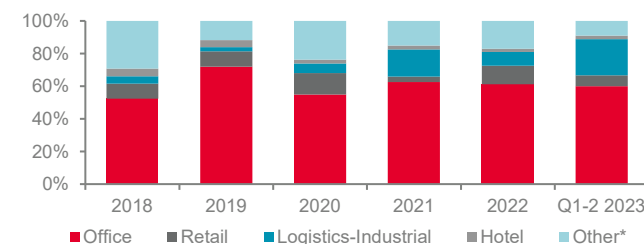
The second-strongest performer, with a transaction volume of around €100 million and some 22% of the total transaction volume, was the logistics and industrial sector. This fell 64% short of the previous year's mid-year figure of €280 million. The largest single-property transaction was the sale of Panattoni Park Hamburg Nord to J.P. Morgan Asset Management and Cromwell Property Group in Q1 (over €90 million).

At around €30 million, retail properties contributed only 7% of transaction volume. The only transaction in this asset class was the increase in the stake held in Phönix-Center in Harburg by Deutsche Euroshop, to 75%.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



DECEPTIVE DISTRIBUTION OF TRANSACTION VOLUME AMONG RISK CLASSES

In the first half of 2023, 69% of the transaction volume was generated by sales of core and core+ properties, although the low number of transactions provides a very insubstantial basis for any conclusions to be drawn about investors' purchasing or demand behaviour. The core segment is the most strongly affected by the ongoing price correction phase, which is making potential investors cautious.

VERY FEW MAJOR DEALS IN H1

In the first half of 2023, large transactions of €100 million or more remained rare due to the ongoing restraint of institutional investors. The only deal in this size category was the purchase of the Finance Authority on Gänsemarkt by the City of Hamburg for its own use. Transactions in the size category between €50 and €100 million accounted for the largest share of total transaction volume. Only two transactions totalled a share of 35% in this size category.

YIELDS CONTINUE TO RISE

The rise in yields for prime office properties triggered by the turnaround in interest rates in the summer of 2022 continued unabated in the second quarter of 2023. The net initial yield for prime office properties in Hamburg's central locations was 4.00% at the end of Q2 2023. That is 110 basis points more than a year ago.

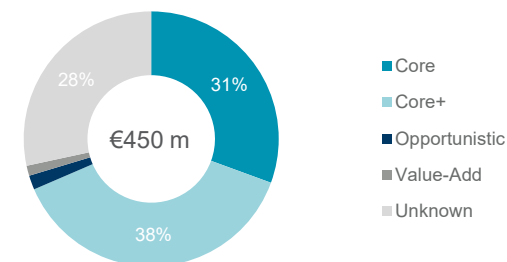
The prime yield for retail high street properties is currently 4.10%. The year-on-year increase is 50 basis points.

For logistics-industrial properties, the prime yield stands at 4.15%, an increase of 105 basis points compared to Q2 2022.

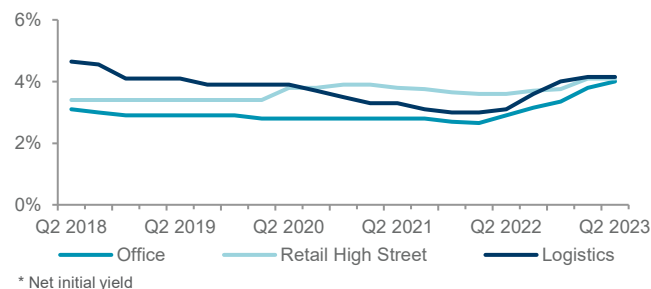
Outlook

- The still uncertain economic situation continues to cause restraint on the Hamburg real estate investment market due to economic slowdown, persistently high inflation and rising interest rates – Investors are likely to remain cautious in the second half of 2023.
- The situation is leading to a prolonged pricing convergence. As soon as the price expectations of buyer and seller come closer together again, the market should pick up by the end of the year.
- As the ECB is expected to raise interest rates again, further increases in yields can be expected in the asset classes office, retail and logistics-industrial.

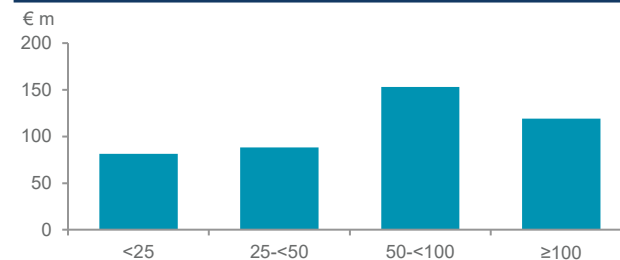
TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2023



PRIME YIELD BY ASSET CLASS



TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2023*



* Each size category in euro million

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MARKET STATISTICS Q1-2 2023

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Logistics-Industrial Volume	Share of International Capital	Office Prime Yield*	Retail High Street Prime Yield*	Logistics Prime Yield*
Hamburg	0.45	60%	7%	22%	34%	4.00%	4.10%	4.15%
YoY Change	-80%	-12 pp	-4 pp	10 pp	-46 pp	110 bp	50 bp	105 bp
Top-7 Markets	4.80	28%	24%	14%	45%	4.04%	3.90%	4.15%
YoY Change	-67%	-39 pp	20 pp	3 pp	-16 pp	105 bp	53 bp	104 bp
Germany	9.81	24%	24%	17%	34%	-	-	-
YoY Change	-65%	-20 pp	11 pp	-4 pp	-14 pp	-	-	-

*Prime yield is net initial yield, displaying achievable values. Prime yield Germany = Average of Top-7 Markets.
pp = percentage points; bp = basis points

SELECTED TRANSACTIONS 2023

Property / Address	Quarter	Type of Use	City	Vendor / Buyer	Price (€ million)
Fritz-Schumacher-Building (Finance Authority at Gänsemarkt)	Q2	Office	Hamburg	PPS Immobilien Holding / City Hamburg	~ 119
Panattoni Park Hamburg North	Q1	Industrial	Nützen	J.P. Morgan Asset Management & Cromwell Property Group / Panattoni	~ 93
Cube 10	Q2	Office	Hamburg	Amundi / Ofi Invest Real Estate	~ 60
Phoenix-Center Hamburg-Harburg (stake increase by 25 %)	Q1	Retail	Hamburg	Kommanditgesellschaft Arena Vermögensverwaltung / Deutsche Euroshop	~ 29

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