

MARKETBEAT BERLIN

Investment Q4 2023



YoY
Change

12-Month
Forecast

€3.27 bn

Transaction Volume (cum.)



43%

Share of Foreign Capital



4.60%

Office Prime Yield, net



21%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Mo.
Forecast

9.2%

Berlin Unemployment
Rate (Dec 2023)



850,200

Berlin Office Employees
(Dec 2023)



4.50%

ECB Interest Rate
(Dec 2023)



2.58%

10-Year Government
Bond Yield (Q4 2023)



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

WEAK YEAR ON BERLIN'S PROPERTY INVESTMENT MARKET

For 2023 a transaction volume of €3.27 billion was noted in Berlin's commercial real estate market. This is a fall of 62% year-on-year and 66% less than the five-year average. At €580 million, the transaction volume in the 4th quarter was similarly weak to the previous quarter (€575 million).

Since the turnaround in interest rates in 2022, Berlin's investment market has been increasingly inactive. For the second year in a row, the commercial real estate transaction volume has declined, having now fallen to its lowest level since 2011. The few major transactions which took place (six deals over €100 million) in 2023 as a whole were mainly related to sellers who were in distress due to increased financing costs. The buyers mainly comprise those investors, who are scarcely affected by the difficult financing environment due to their high equity ratio. For example, private equity companies are increasingly appearing on the market. Furthermore, the proportion of family offices on the buy-side also increased from 3% (2022) to 8% (2023).

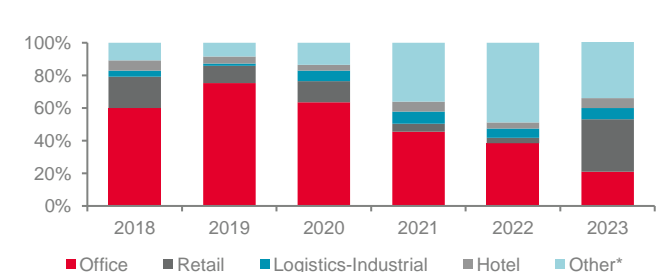
The office real estate transaction volume in Q4 amounted to €240 million, bringing the total to €675 million for the full year. This represents a decrease of 79% from 2022 and is 88% below the five-year average. Retail real estate transaction volume, on the other hand, was significantly higher than in 2022 (+273%) at €160 million in Q4 and €1.05 billion for the year as a whole. A major contributor here was the sale of stake in KaDeWe at the beginning of the year.

C&W recorded no logistics and industrial real estate transactions in Q4, with the total transaction volume at the end of the year remaining at €240 million. This is a halving compared to 2022. In the last three months of the 2023, Berlin's hotel real estate transaction volume was €100 million. With the resulting annual total of €180 million, this segment proved therefore less weak than previously expected, but still exhibited a year-on-year decline of 43%.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



CORE TRANSACTIONS DOMINATE

The distribution of the transaction volume by risk category is predominantly characterised by core sales. However, this is more due to a combination of the lack of transactions in the other segments and a few exceptional large transactions in the core segment. Accordingly, core properties account for by far the largest share at 59%.

LARGE DEALS ARE IN SHORT SUPPLY

The Berlin investment market for commercial property recorded only six sales in various asset classes of over €100 million each in the current year. These transactions alone account for around 55% of the total volume.

FURTHER INCREASE IN PRIME YIELD IN ALL SEGMENTS

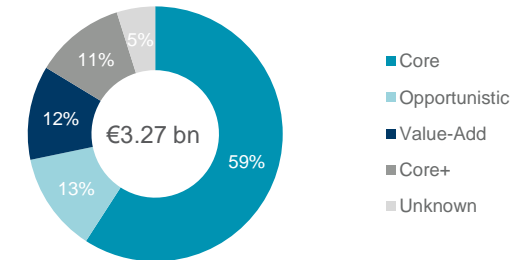
The prime yield on office properties increased by 20 basis points on the previous quarter to 4.60% (+100 basis points compared to the end of 2022). Over two years, the total increase was even 200 basis points, following the rapid rise in bond yields.

The prime yield for centrally-located high street commercial buildings increased by 35 basis points to 4.35% (+85 basis points compared to the end of 2022). For logistics properties, the prime yield is 4.50% at the end of Q4, 20 basis points more than the previous quarter and 50 basis points more than at the end of 2022.

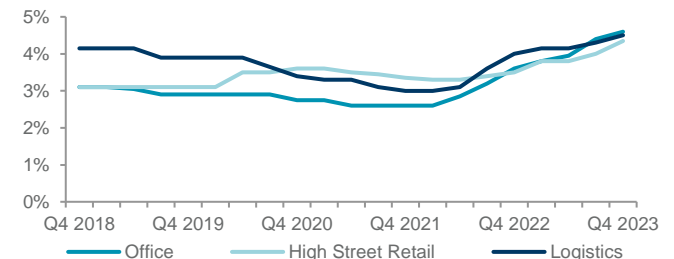
Outlook

- Most market participants expect an initial policy rate cut in mid-2024, which would be followed by further cuts.
- For the first half of 2024, a further slight increase in the office prime yield is expected. However, the prime yield should stabilise after that and could even compress slightly again by year-end if the interest rate conditions improve significantly.
- The yield on the 10-year German government bond recently fell again. If this trend continues in the current year, property could once again become more of a focus for institutional investors.
- The current vacancy rate of 6.9% will rise even further in 2024, meaning that obsolescence risks will play a greater role for owners.

TRANSACTION VOLUME BY RISK CATEGORY 2023

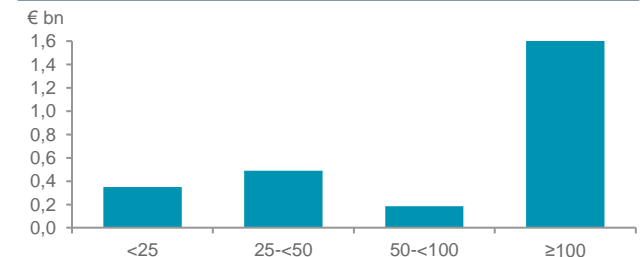


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY 2023*



* Each size category in euro million

MARKET STATISTICS 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*
Berlin	3.27	21%	32%	7%	43%	4.60%	4.35%	4.50%
YoY Change	-62%	-17 pp	29 pp	1 pp	-15 pp	100 bp	85 bp	50 bp
Top-7 Markets	8.17	30%	19%	15%	36%	4.78%	4.49%	4.50%
YoY Change	-69%	-26 pp	15 pp	6 pp	-14 pp	127 bp	81 bp	50 bp
Germany	21.46	21%	24%	27%	35%	-	-	-
YoY Change	-58%	-18 pp	9 pp	9 pp	-8 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)
Plot Gutenbergstraße	Q4	Mixed-use, Plot	Berlin	Centrum / confidential	~ 45
Staytion – Forum Pankow	Q3	Mixed-use, Plot	Berlin	Adler / Kondor Wessels	~ 36
Annenstraße 4a	Q1	Plot	Berlin	Aroundtown / Edeka	~ 32
Moabit Office (ehem. Volt / Midtown Lofts)	Q1	Office	Berlin	Highbrook / Berenberg	~ 28

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