

MARKETBEAT HAMBURG

Investment Q4 2023



YoY 12-Month
Change Forecast

€1.21 bn

Transaction Volume (cum.)



18%

Share of Foreign Capital



4.75%

Office Prime Yield, net



57%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change 12-Month
Forecast

7.6%

Hamburg Unemployment
Rate (Dec 2023)



496,400

Hamburg 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

HAMBURG INVESTMENT MARKET RECORDS LOWEST TRANSACTION VOLUME SINCE 2004

At €490 million, the 4th quarter recorded the strongest transaction volume of the year in Hamburg's commercial real estate market. In total, an investment volume of around €1.21 billion was achieved in 2023. The last time a lower annual result was recorded was in 2004. The result is 71% below the previous year's figure, which was particularly strong due to one-off effects (2022: €4.10 billion). The 5-year average of around €4.53 billion was under-shot by 73%. With 18% of the total transaction volume, international investors were more cautious than in the previous year (60%) and the 5-year average (38%).

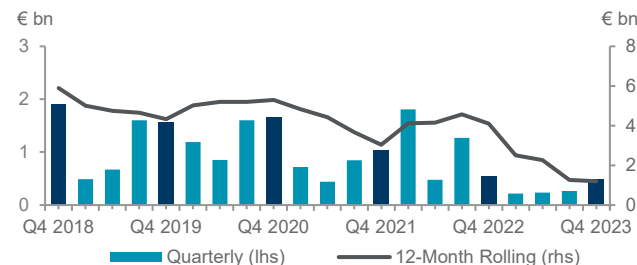
Office properties were the asset class which contributed the majority of the transaction volume in 2023. Despite this being a low €690 million, they still accounted for 57% of the total. The result was 73% below the previous year's figure of €2.51 billion. Almost half of the transaction volume was accounted for by purchases for owner-occupancy. This includes the two largest office transactions, which are also the only individual property transactions in the Hamburg real estate investment market with a volume of €100 million or more. Of these the largest was the purchase of the Am Strandkai 1 building by the Hamburg Port Authority (HPA) in Q4 for €157 million from DWS.

Logistics and industrial properties generated a transaction volume of around €210 million and, accounting for 17% of the total transaction volume, was the second-strongest asset class. This result was still 38% below the previous year's figure of €340 million. In Q4, the only transaction was the acquisition by Kaldox of six logistics halls in Billbrook. The largest individual property transaction remains the sale of Panattoni Park Hamburg Nord to J.P. Morgan Asset Management and Cromwell Property Group in the first quarter (over €90 million).

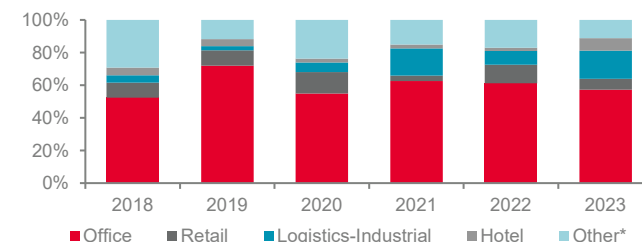
There were no retail real estate transactions in Q4. The transaction volume for 2023 thus amounted to around €80 million, which corresponds to 7% of the CRE total. The decrease compared to the equivalent period the previous year was 83%.

Only hotel sales recorded an increase in transaction volume, by 13% compared to the previous year's result, to €90 million (2022: €80 million).

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



MAJORITY OF TRANSACTION VOLUME IS ACCOUNTED FOR BY CORE-PLUS PROPERTIES

In 2023, 74% of the total transaction volume was generated by sales of core and core-plus 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. Most of the transactions had a volume of less than €50 million, with a clear focus on core-plus properties.

TRANSACTIONS OF OVER €100 MILLION TOOK PLACE THANKS TO URBAN OWNER-OCCUPANCY

In 2023, large transactions of €100 million or more remained rare due to the ongoing restraint of institutional investors. The only two individual property transactions in this size category were purchases for owner-occupancy: The purchase of the Am Strandkai 1 building by the Hamburg Port Authority in Q4 and the purchase of the Fritz Schumacher Building on Gänsemarkt by the City of Hamburg in Q2. Most sales involved properties of less than €50 million.

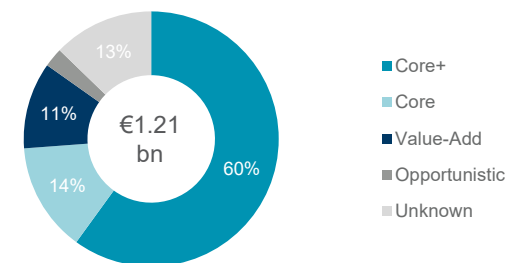
YIELDS CONTINUE TO RISE

The prime yield for prime office properties in Hamburg's central locations stood at 4.75% at the end of Q4 2023. This is 140 basis points more than a year ago. The prime yield for high street commercial buildings in 1a locations is currently 4.65%. The year-on-year increase is 90 basis points. For prime logistics properties, the prime yield stands at 4.50%, which represents an increase of 50 basis points compared to Q4 2022.

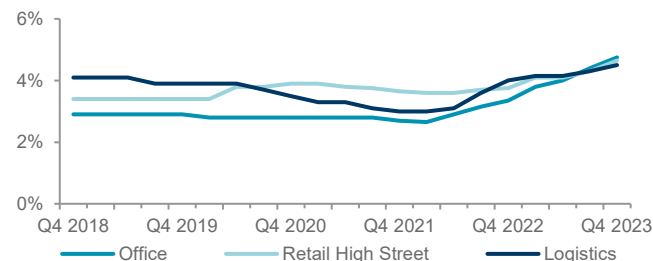
Outlook

- Due to the uncertain macroeconomic environment, 2023 was dominated by market adjustments, which have not yet been fully completed. The restraint in the real estate investment market is expected to continue over the first half of 2024.
- The prospect of interest rate cuts and more stable financing conditions, as well as the expected stabilisation of yields over the course of 2024, point to increased investment activity in the second half of 2024.
- Since the tenth increase by the ECB in September 2023, the key interest rate has remained stable at 4.50%. Experience has shown that prime yields in real estate react to changes in key interest rates with a time lag, so that a further, slight increase in yields is possible at the beginning of 2024. Expected interest rate cuts in the middle of the year provide potential for subsequent declines in prime yields.

TRANSACTION VOLUME BY RISK CATEGORY Q4 2023

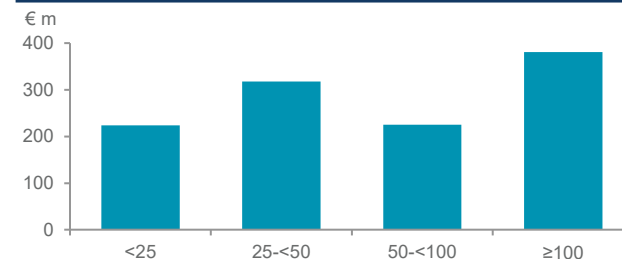


PRIME YIELD BY ASSET CLASS



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q4 2023*



* Each size category in euro million

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Investment Q4 2023



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MARKET STATISTICS Q4 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	1.21	57%	7%	17%	18%	4.75%	4.65%	4.50%
YoY Change	-71%	-4 pp	-4 pp	9 pp	-42 pp	140 bp	90 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)
Am Strandkai 1	Q4	Office	Hamburg	DWS / Hamburg Port Authority	~157
Fritz-Schumacher-Building (Finance Authority at Gänsemarkt)	Q2	Office	Hamburg	PPS Immobilien Holding / City Hamburg	~119
Panattoni Park Hamburg North	Q1	Industrial	Nützen	Panattoni / J.P. Morgan Asset Management & Cromwell Property Group	~90
Brooktorkai 20	Q4	Office	Hamburg	Amundi / confidential	~70

Alexander Kropf

Head of Capital Markets Germany

Tel: +49 30 72 62 18 240

alexander.kropf@cushwake.com

Sebastian Becker

Research Consultant

Tel: +49 40 300 88 11 49

sebastian.becker@cushwake.com

Helge Zahrt, MRICS

Head of Research & Insight Germany

Tel: +49 40 300 88 11 50

helge.zahrt@cushwake.com

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