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MAIN REGIONAL REAL ESTATE MARKETS IN GERMANY 2022

High demand for modern office space that incorporates hybrid concepts – rental yields for retail properties continue to rise

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PREFACE

Dear readers,

As one of the leading real estate banks in Germany, we regularly analyse the markets we actively cover. However, especially in regional locations outside the seven largest cities, market data is not readily available. With our studies, we intend to create more transparency and therefore publish a report each spring, to better assess trends and risks in these markets. For this purpose, we investigate developments in the office and retail property segments for the twelve regional centres of Germany – Augsburg, Bremen, Darmstadt, Dresden, Essen, Hanover, Karlsruhe, Leipzig, Mannheim, Mainz, Munster and Nuremberg, comparing them to Germany's top seven locations.

The German real estate markets have basically been little affected by the COVID-19 pandemic. However, this does not apply equally to all asset classes. The past year has shown that strong demand for office properties is intact, but the specifics have changed: communication and teamwork is now in the focus, which is why newly designed and inviting spaces are now top priority, but are less available. Office rents, which were already high in some areas, have therefore risen further, whilst vacancy rates (which are still low) have increased. In the retail sector, however, the pandemic has worsened the market environment. At all locations analysed, top rents fell last year, albeit with differing intensity. Retail properties for local supply continue to be sought after, whereas the situation has been deteriorating for inner-city retail and shopping centres.

This report on "Regional Real Estate Markets 2022" – the thirteenth in this series – supplements "The German Real Estate Market" – our series of specialist publications published in the autumn of each year. In addition, we analyse the commercial real estate markets in individual German federal states: a report on Bavaria will be published in July, followed by a report on Berlin and the eastern federal states in November.

An overview of DZ HYP's real estate market reports to date is available on our website https://www.dzhyp.de/en/about-us/market-research/.

Yours sincerely,

DZ HYP

March 2022

OFFICE AND RETAIL: POST-COVID RESET

Two years of pandemic lead to major shift in demand for retail and office space

The pandemic which started two years ago has subjected society, the economy and public administration to a massive stress test. This has highlighted deficits, for example in healthcare systems and digitalisation, the consequences of which have remained limited thanks to the flexibility and commitment of the workforce. The result has been a considerable amount of “homework” to ensure that the country is better prepared in future to deal with major crises. Supply in the property market, particularly in the office and retail segments, has also been put to the test. Various factors concealed the need for adjustments in line with altered demand structures.

Retail sector must adapt to changing consumer behaviour

In the retail sector, population growth and a boom in tourism masked the consequences of an increasingly interchangeable chain store monoculture and a shift in shopping patterns. This situation would probably have continued for some time. However, the pandemic drove the need to adapt the range of goods and services on offer in pedestrian zones, shopping centres and department stores in keeping with new consumer structures. This trend is now in full swing. City centre offer is changing as new operators emerge, attracted by lower rents. Outmoded sales space – such as vacant department stores – is also being converted for new uses.

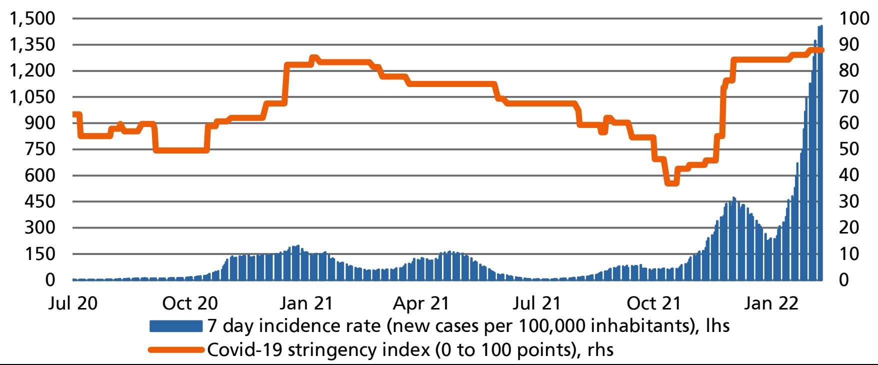
Communications the main focus for offices

Before Covid, it was still easy to let even unattractive properties. Because not enough new offices were being built, the supply of office space was insufficient to accommodate a growing number of office workers. Flexible working, for example from home, could have eased the strained office market, but was not widespread, although employees would certainly have been keen to take up this option. However, the pandemic has also ended the debate. Today working from home is standard practice, leading to a redefinition of the office. The main focus now is on communications and teamwork which requires redesigned, attractive space, while the amount of actual desk space is contracting. The days of dreary office properties containing small offices are numbered.

Realisation of new retail and office concepts delayed until Omicron wave has subsided

However, it will be some time yet before the reset in the office and retail sectors can take place. This is due to the continuing high level of infections at the beginning of 2022 caused by the Omicron variant. Newly opened shops and those which have withstood the crisis are still waiting for customers. Few employees are also present in office buildings and are still being encouraged to work from home where possible. But improvement is in sight - by spring, Germany will probably follow the example of other countries and start phasing out the Corona measures.

COMPARATIVELY STRICT MEASURES USED TO COMBAT RAPID RISE IN COVID CASES



Source: Reuters, Oxford University, DZ BANK per 9 Feb 2022

Thanks to the milder course of "Omikron" and with rising temperatures, the situation should improve. But that is not quite certain, as the course of the pandemic has demonstrated so far. Even if the “endemic” scenario becomes established, it is not clear how the property market will develop post-pandemic. This is particularly true of the office and retail segments covered in this report. How much office space will be needed after the pandemic? And how willing will tenants be to pay even higher office rents? Will consumers only window shop in the city or will they buy more again? And how will individual locations develop? Will the property market be even more concentrated on the top locations or will there be a greater focus on the regional centres because they offer stability and higher yields?

It will be very interesting to see how the retail and office reset proceeds after the pandemic

There is considerable confidence that the property market will continue to perform well. This is borne out by the continuing high level of investor interest in commercial real estate. In 2021, a record figure of EUR 111bn was invested in housing portfolios and commercial properties. However, assessments of the market segments vary and this is also reflected in our market report. While initial rental yields for prime office properties have continued to fall, they have widened somewhat for retail properties, apart from local supply. Although investors are likely to continue to view shopping centres with scepticism, there should be a high level of interest in contemporary office buildings. Modern office space which also meets high sustainability standards is after all still in short supply.

Investors expect a continuing solid trend in the property market

What will the future hold for the office and retail sectors? In this report we analyse the various market trends. Vacancy rates in the **office market** increased in 2021, but remain low. Prime rents nevertheless picked up slightly in 2021. In the **retail sector,** the downward trend in rents which had already started before Covid has continued apace. In this 13th edition of our market report, we again focus on trends in the **twelve regional centres throughout Germany**. Our report adds to the sparse information otherwise available on these locations. We also review the **seven top locations in Germany** and compare the two categories.

13th edition of the “Regional Property Markets” report provides information on the office and retail market segments in 12 regional centres and 7 top locations

OVERVIEW OF LOCATIONS

12 Regional Centres (Index: Regional 12)				7 Top Locations (Index: Top 7)	
City	**Federal state**	**City**	**Federal state**	**City**	**Federal state**
Augsburg	Bavaria	**Leipzig**	Saxony	**Berlin**	Berlin
Bremen	Bremen	**Dresden**	Saxony	**Düsseldorf**	North Rhine-Westphalia
Darmstadt	Hesse	**Mainz**	Rhineland- Palatinate	**Frankfurt**	Hesse
Essen	North Rhine-Westphalia	**Mannheim**	Baden-Württemb.	**Hamburg**	Hamburg
Hannover	Lower Saxony	**Münster**	North Rhine-Westphalia	**Cologne**	North Rhine-Westphalia
Karlsruhe	Baden-Württemb.	**Nuremberg**	Bavaria	**Munich**	Bavaria
				Stuttgart	Baden-Württemb.

In the next chapter we analyse the office markets of the 19 locations covered. A market overview of the retail sector starts on page 14. In the section beginning on page 23, the individual locations are reviewed in alphabetical order. The most important market data is summarised in tables on pages 73 to 75.

Office property: Hybrid office concept starts in 2022

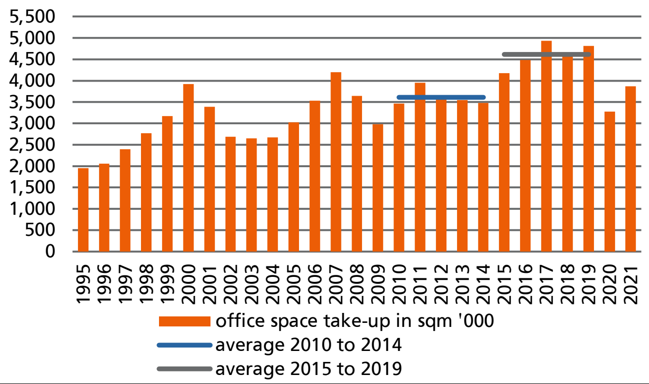
At first glance, the second year of coronavirus ended on a similar note to the previous one for the German office market. At the end of 2021 / beginning of 2022 most office workers were working from home again. However, on closer inspection there are positive signs. Take-up grew in 2021 compared to the previous year. Across all 19 locations reviewed, take-up increased by a fifth on the previous year at 3.9 m². However, rental activity still lags some way behind pre-pandemic levels. Significantly higher levels were achieved between 2017 and 2019, with average annual take-up of around 4.7 m².

Everything as it was? As in the previous year, most office workers were working from home at the turn of the year

As in the previous year, office vacancies increased again. At year-end, approximately 4.5 m² of office space was unoccupied, around 4.4 per cent of total space of 115 m² across the 19 locations. This represents an increase of about 1.2 m² or 1.3 percentage points in unlet office space compared to 2019. In addition to even weaker office demand, the main factor here was the uptick in office construction. However, the increased vacancy rate is not a cause of concern. In 2010, the volume of vacant office space in the locations reviewed was more than twice as high. The severe supply shortage in the office market before the pandemic has thus improved, with more large-scale office space becoming available again in the short term.

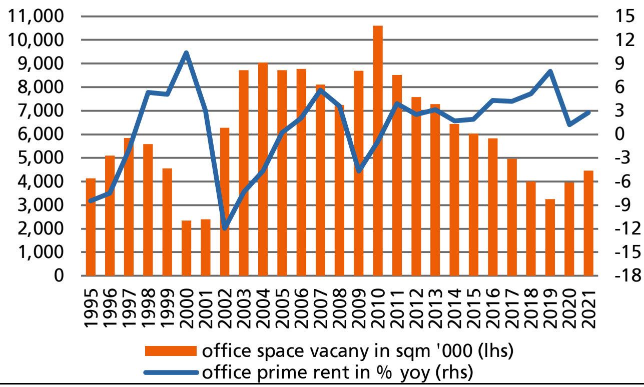
Vacancy rates up marginally, but slight normalisation of office space availability

ONLY SLIGHT RECOVERY IN TAKE-UP IN 2021, …



Source: bulwiengesa Data for 12 regional centres and 7 top locations

… WHILE THE VACANCY RATE GREW AND RENTS REMAINED STABLE



Source: bulwiengesa Data for 12 regional centres and 7 top locations

In the past, increasing vacancy rates were generally associated with downward movement in prime rents. From 2001 to 2005, the decline was more than 20 per cent, and from 2008 to 2010 nearly 10 per cent. The reverse is true at the moment. Although the steep increase in rents before the pandemic has not continued, after remaining stable in 2020, prime rents were already tending upwards again in 2021.

Unlike before, rents are not falling despite higher vacancy rates…

Despite widespread home working, there are good reasons for stable, or slightly rising office rents. Despite the high number of infections at the beginning of 2022, the end of the pandemic is on the horizon. A gradual return to the office can therefore be expected – the phenomenon of "Office market 2.0". The hybrid office concepts developed by many companies and institutions are leading to a repurposing of the office as a communications headquarters. This requires modern, open and attractive space, which is still in very short supply in the market.

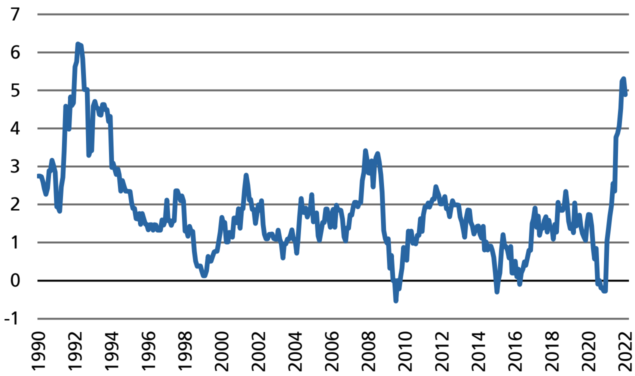
… because attractive space is needed for "Office 2.0"

Market conditions in the office market

While in autumn 2020 the outlook for 2021 was still optimistic, strong post-Covid growth in the German economy failed to materialise. As a consequence of a relatively low vaccination rate, the services sector has suffered from restrictions such as the “2G rule” (access only for those who are fully vaccinated or who have recovered from Covid). The main problem for industry has been disruption to supply chains. As well as oil and gas, many other materials have also become more expensive. Consumer prices have also surged. At year-end, inflation exceeded 5 per cent. Companies also continue to be hampered by the ongoing skills shortage. Below the line, macroeconomic output grew by less than 3 per cent - still below the 2019 level.

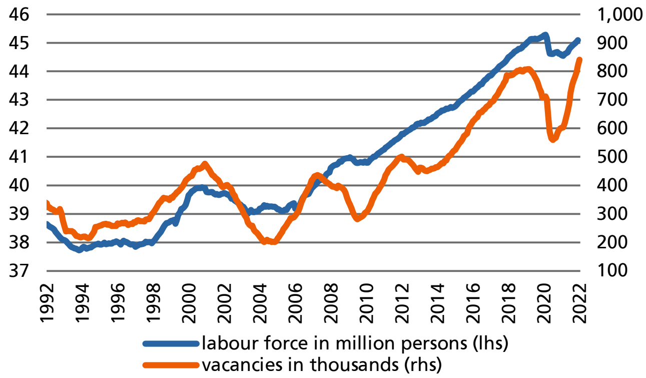
Economy hampered in 2021 by Covid, disrupted supply chains, high material prices and a skills shortage

INFLATION SURGES TO ITS HIGHEST LEVEL SINCE 1992 (CPI IN % YOY)



Source: Federal Statistical Office — Per January 2022

EMPLOYMENT RECOVERS, DEMAND FOR SKILLED WORKERS INCREASES TO PRE-COVID LEVEL

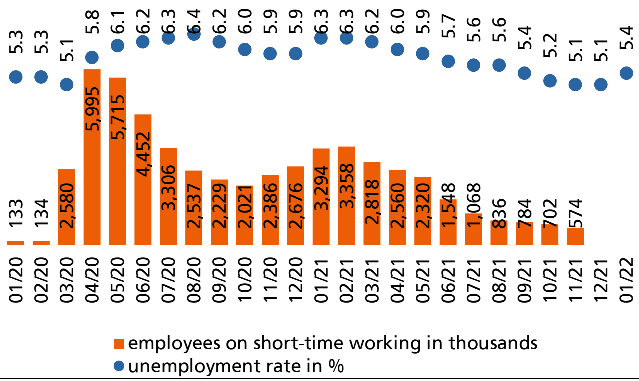


Source: Federal Employment Agency — Per January 2022

Since the turn of the year, the continuing shortage of materials and the Omicron variant have both had a negative impact on the economy. Ongoing restrictions in the services sector are being compounded by the large number of infections spread between workers or working time lost because of quarantine. Economic growth is unlikely to gain momentum before the summer. We expect full-year growth of just over 3 per cent. Although the inflationary impact of the cut in value added tax in the second half of 2020 levelled off at the end of 2021/beginning of 2022, inflation will remain high this year. For the year as a whole, we expect an average increase in consumer prices of almost 4 per cent.

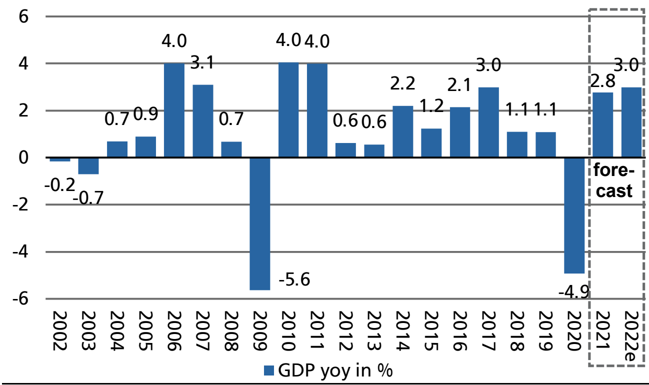
Economy may not gain momentum until summer 2022

UNEMPLOYMENT FALLS BACK TO PRE-COVID LEVELS



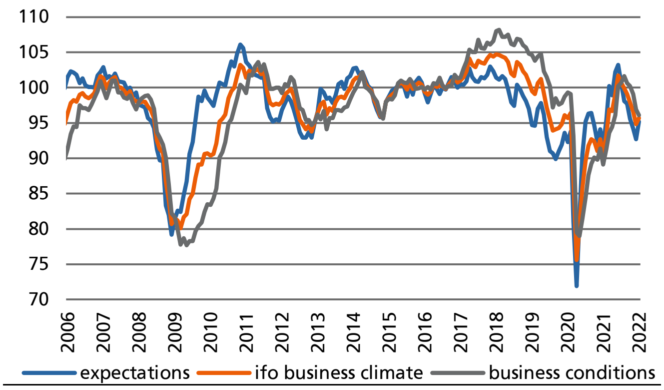
Source: Federal Employment Agency

NEGATIVE IMPACT OF COVID SLOWS ECONOMIC RECOVERY



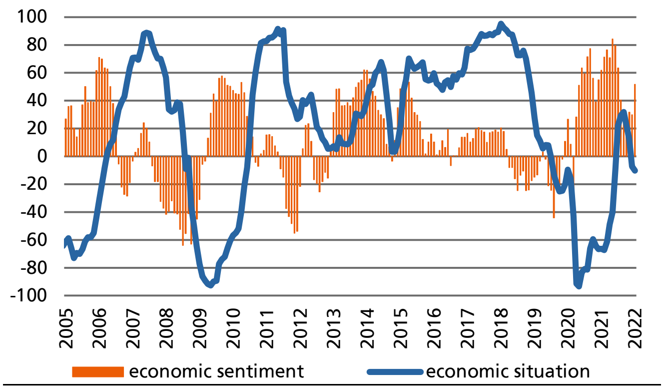
Source: Eurostat, DZ BANK forecast — Per February 2022

IFO INSTITUTE BUSINESS CLIMATE INDEX SHOWED CLEAR DETERIORATION IN SECOND HALF OF 2021



Source: ifo Institute Per January 2022

ECONOMIC EXPERTS SURVEYED BY ZEW MUCH MORE POSITIVE ABOUT ECONOMIC OUTLOOK THAN CURRENT CONDITIONS



Source: ZEW Per January 2022

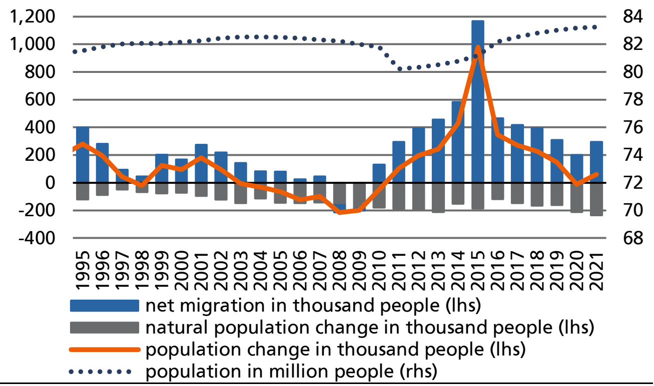
Labour market recovery not hampered by economic headwind

The slowing of economic momentum did not hamper the recovery in the labour market. The unemployment rate of 5.1 per cent recorded in December 2021 was only marginally higher than at year-end 2019 (4.9 per cent) and has thus fallen sharply from its peak of 6.4 per cent (August 2020) during the pandemic. The intermittent steep decline in the number of job vacancies to around 800,000 came close to the previous record of 2018. However, not everything in the labour market is positive. This is indicated by the still quite high number of short-time workers.

German economic sentiment deteriorated visibly in second half of 2021

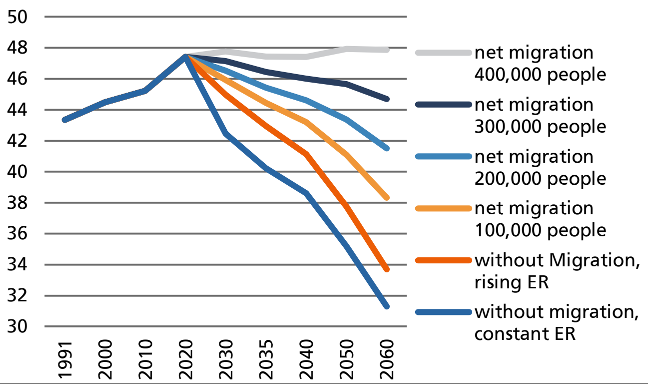
Sentiment at companies improved in spring 2021. By June 2021 the ifo Business Climate Index had climbed to its highest level (101.7 points) since autumn 2018. The economic experts surveyed by the ZEW were also more optimistic about current conditions and economic expectations again. However, sentiment at companies and among analysts has deteriorated since mid-2021. Economic expectations nevertheless improved again at the beginning of 2022, while current economic conditions are viewed more negatively. The business climate index showed a similar picture in January with more upbeat expectations and a more negative assessment of current conditions.

LOW NET MIGRATION: AS IN THE PREVIOUS YEAR, GERMAN POPULATION CONTINUED TO STAGNATE IN 2021



Source: Federal Statistical Office 2021 data are provisional

LABOUR SUPPLY HEAVILY DEPENDENT ON IMMIGRATION (POTENTIAL WORKFORCE IN MILLIONS)



Source: Institute for Employment Research ER = Employment rate

Labour supply likely to contract in future years

Despite an economic trend which is currently still fairly subdued, demand for labour has clearly picked up again. The shortage of skilled workers is an ongoing issue for the German economy, and is impacting an increasing number of sectors. The situation is likely to escalate further in the years ahead, when “baby boomers” born in the high birth rate years of the 1950s and 1960s retire.

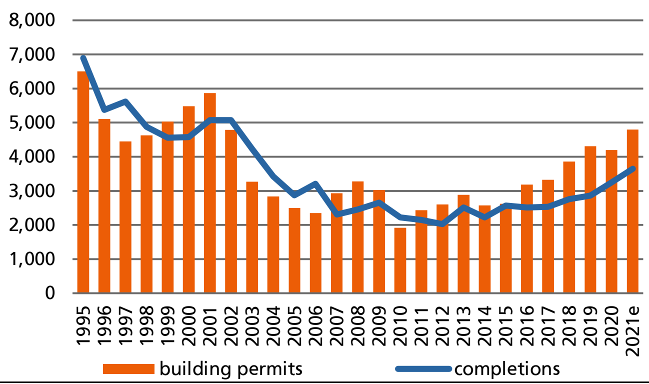
Previously high employment levels can be maintained with continuing high immigration

The Institute for Employment Research (IAB) predicted in 2021 how the trend in the labour supply might look in the years ahead. The starting point is the potential labour force, which includes both those in work, as well as the unemployed and the hidden reserve. Other key parameters used are the participation rate and net migration. Without net immigration, the potential labour force will contract rapidly in the coming years. It would only be possible to maintain a stable labour force of 47.4 million (2020) up to 2060 if net immigration were to remain consistently high at 400,000 people per year – a level rarely achieved in the last twenty-five years.

Decline in employment could be weaker in large office locations

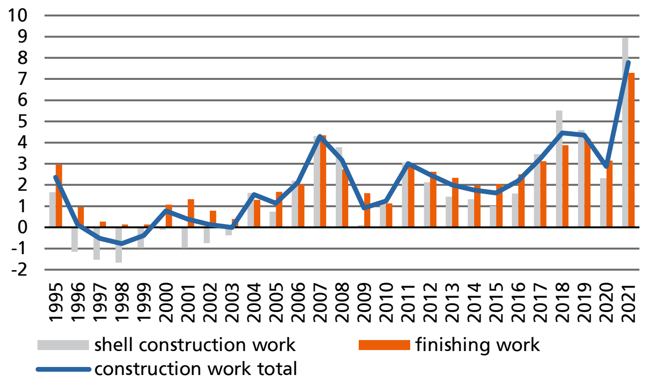
The demographic trend will also result in the loss of a substantial number of current office workers over the next two decades when they retire. It remains to be seen to what extent this contraction of the workforce can be offset by migration. The decline will be mitigated slightly by the likely further increase in the proportion of office workers relative to the total workforce. However, even if office employment falls below the line, the impact on major cities, such as those covered in this report, could be much less marked. For presumably management and development functions will be concentrated here due to the greater availability of workers.

OFFICE CONSTRUCTION INCREASING SHARPLY (AVAILABLE SPACE IN 1,000 M², THROUGHOUT GERMANY)



Source: Federal Statistical Office, DZ BANK forecast

COST OF OFFICE CONSTRUCTION INCREASED RAPIDLY IN 2021 (CONSTRUCTION COSTS IN % YOY)



Source: Federal Statistical Office

Office construction gained momentum again in 2021

Office construction – which had long been at a low level – has gained momentum as a result of ongoing demand and a sharp increase in rents. Similar to the housing market, the number of office approvals has thus grown much more significantly than the volume of completed properties. Overall, new construction is urgently needed to upgrade the stock of outdated office premises and to ensure a greater supply of the type of contemporary and sustainable office space which is in demand.

High demand, limited resources: office construction costs up by nearly 8 per cent in 2021

Although demand for new offices is unlikely to slow very rapidly, there is a question mark over the future trend in office construction. This is because the current shortage of suitable building sites and skilled workers is being further exacerbated by a shortage of building materials – partly as a result of supply chain disruption. Construction costs are also increasing because of high demand in Germany for building work to be completed quickly. In full-year 2021, the price of office construction increased by nearly 8 per cent year-on-year. In the fourth quarter of 2021, the annual price increase was as high as around 12 per cent. Conversely, from 1995 to 2020, construction prices climbed much more slowly – by less than 2 per cent each year.

If office space becomes too expensive, companies can also play the home working card

High demand for commercial properties, apartments, public buildings and infrastructure projects is also likely to maintain the high demand for construction services. Given that resources – particularly skilled workers - will probably also remain in short supply, construction is likely to remain expensive. High ESG criteria for buildings, also as a result of guidelines set by the EU taxonomy, could also play a role here. Rents will also have to increase further to make new office buildings more cost-effective. This will apply all the more if higher rental yields are also required in the wake of rising capital market yields. It remains to be seen to what extent higher rents can be implemented with companies. Companies can use the working from home option as leverage to vary their office requirements, and where appropriate, to decide against a new building.

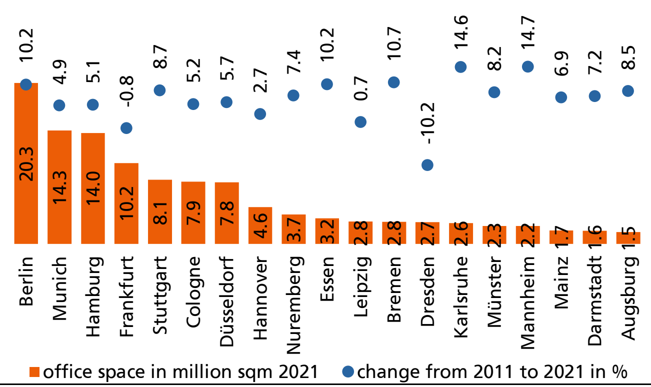
ESG: Environmental, Social, Governance

Office property: Market trend in the locations covered

Market report covers a good third of German office space

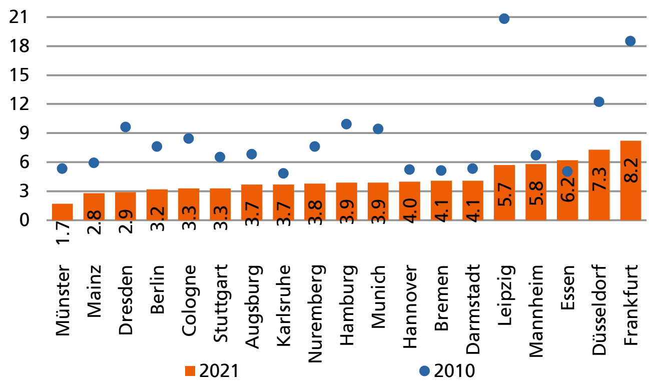
The 19 locations covered in our market report represent office space of 114.5 million m². This is approximately a third of available office space in Germany. The lion's share (82.5 million m²) relates to the seven top locations, ranging from 8 million m² in Düsseldorf to more than 20 million m² in Berlin. The 12 regional centres account for 32 million m² of office space. The size of location ranges from 1.5 million m² in Augsburg to 4.6 million m² in Hannover. The regional capital of Lower Saxony is the largest office market among the top locations.

FROM SMALL TO LARGE – OUR MARKET REPORT PROVIDES GOOD COVERAGE OF THE RANGE OF GERMAN OFFICE LOCATIONS



Source: bulwiengesa

VACANCY RATES IN THE OFFICE MARKET INCREASE, BUT REMAIN MODERATE (VACANCY RATE IN %)



Source: bulwiengesa

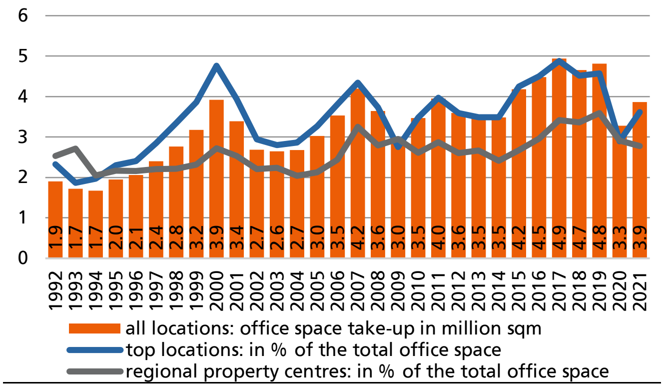
Pandemic did not lead to significant increase in vacancy rates

Despite the steady decline in vacancy rates pre-Covid, space growth remained within limits from 2011 to 2021, increasing by 6 per cent across all 19 locations. In the ten previous years – from 2001 to 2010 – growth was still twice as high, although at that time office employment was largely stagnating. This led to high vacancy rates and at best stable office rents. However, demand for office space increased when the upturn in the labour market began in 2010, causing vacancy rates to decrease and rents to increase. At the end of 2019 around 97 per cent of total office space in the 19 locations was let. The pandemic initially led to a visible halt in rent growth, while vacancy rates increased moderately. At the end of 2021 the average vacancy rate in the top locations was 4.5 per cent, and 4.1 per cent in the regional centres.

Vacancies increase due to consequences of pandemic and space growth

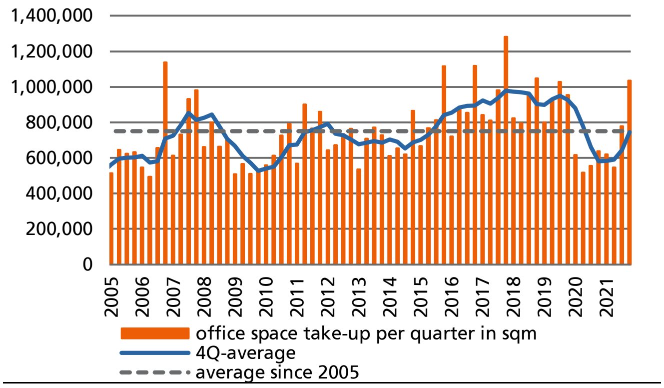
The reasons for the higher vacancy rates were a temporarily weak labour market and the widespread introduction of home working. Demand, measured by office take-up, thus contracted sharply in 2020 due to the economic crisis. High demand for office space and the steep, pre-Covid rise in office rents drove the trend for new office space as well as speculative office projects. Office supply therefore grew slightly more strongly.

TAKE-UP COLLAPSED DUE TO COVID



Source: bulwiengesa

QUARTERLY DATA FOR TOP LOCATIONS SHOW STRONG REVIVAL IN OFFICE MARKET IN SECOND HALF OF 2021



Source: bulwiengesa

top locations only

Take-up fell faster in top locations than in regional centres

Unlike the top locations, take-up in the regional centres failed to recover strongly in 2021. However, take-up in the stable office markets of the regional centres also declined less sharply as a result of the pandemic. Conversely, take-up in the top locations fell significantly by about a third in 2020. Take-up is nevertheless weaker mainly because of the high levels achieved shortly before the pandemic. Compared to the years up to 2014, take-up has not however been conspicuously low.

Top 7: Quarterly data show strong market revival in second half of 2021

The quarterly data only available here show the office markets in the top locations recovering again strongly at year-end 2021. In the fourth quarter, cumulative take-up across the seven office markets reached a high level of more than 1 million m². However, rental agreements may have been arranged before the emergence of the highly infectious Delta and Omicron variants, and the sharp rise in the number of Covid cases has not yet had a visibly dampening effect.

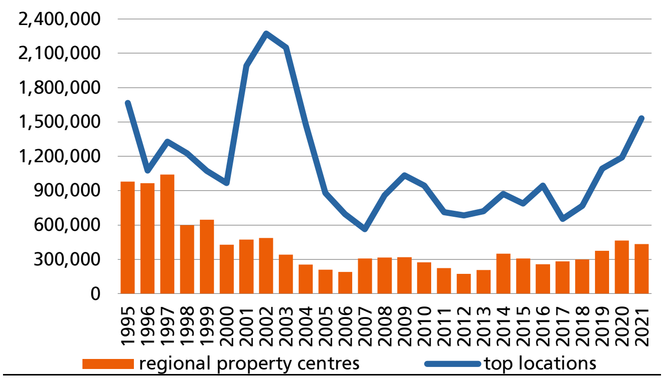
Development of new office space upgrades out-of-date office stock

The development of new office space has revived. Given the shortage of contemporary office space, new offices are also urgently needed. The lion's share of the office stock is already more than 30 years old and is increasingly unable to meet the current requirements of office tenants. It is also more difficult to adapt office space in old buildings to the new office concepts.

Large number of office projects, particularly in Berlin

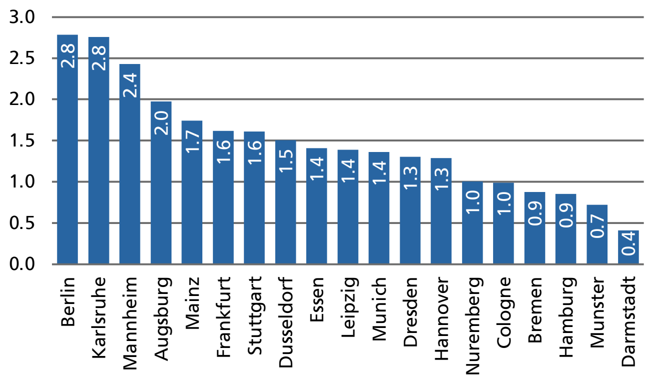
In 2020 and 2021, cumulative new office space of 2.7 million m² was created in the top locations. Of this, 1.1 million m², or around 40 per cent, was in Berlin alone, the largest German office location. This sounds more disproportionate than it actually is. For a long time virtually no office space was created in Berlin, and the vacancy rate consequently fell to just over one per cent in 2019. Last year, total new space of around 2 million m² across all 19 locations was almost double the average annual level from 2005 to 2017. In 2021, the volume of new space thus reached its highest level since 2003.

SURGE IN NEW SPACE IN TOP LOCATIONS (NEW OFFICE SPACE IN M²)



Source: bulwiengesa

EXTENT OF NEW OFFICE SPACE DIVERGES VERY WIDELY (NEW OFFICE SPACE AS % OF TOTAL STOCK)



Source: bulwiengesa Average for 2020 and 2021

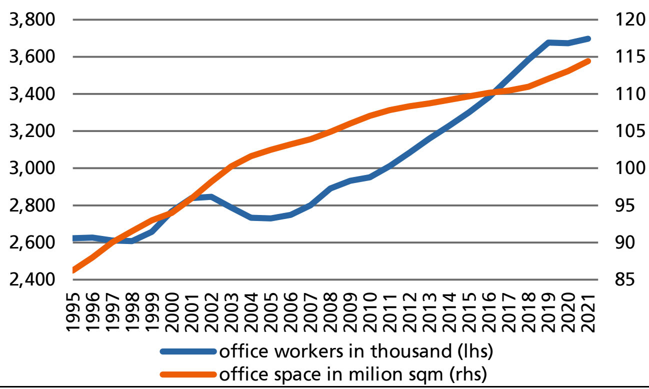
No. of office jobs in 19 locations grows by around 1m within 20 years

The space shortage is mainly attributable to the strong growth in office employment from 2005 to 2019. Growth only slowed with the onset of the Covid pandemic. The space shortage is particularly evident based on the theoretical volume of office space per office employee. Relative to the total volume of office space, every office worker had access to around 31 m² of office space in 2021. Conversely, in 2005, the figure was nearly 38 m². However, the significance of this ratio is limited given the increasing importance of home working. The level is nevertheless likely to decline if office workers share the available desks in the years ahead.

Prime office rents increased again in 2021

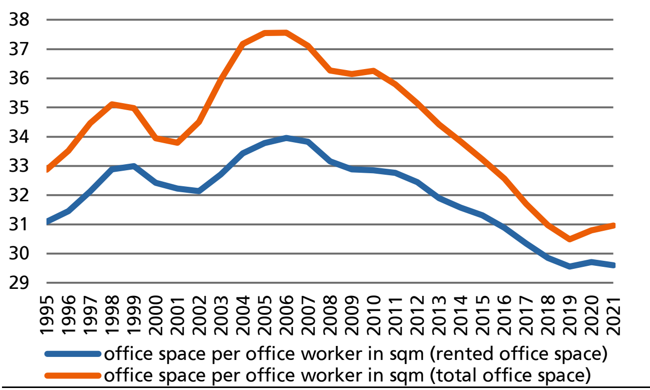
The lower take-up in 2020 and 2021 was not accompanied by a decline in prime office rents. In the best locations rent levels even continued to rise at a slower pace. This clearly reflects the interest from office clients in high value office space we have already described. It was striking that, in 2021, prime office rents increased mainly in the already particularly expensive locations of Berlin, Frankfurt and Munich. Prime rents in the three office markets thus now exceed EUR 40 per m².

DURING THE PANDEMIC, GROWTH IN OFFICE SPACE OUTPACED OFFICE EMPLOYMENT AGAIN FOR A LONG TIME



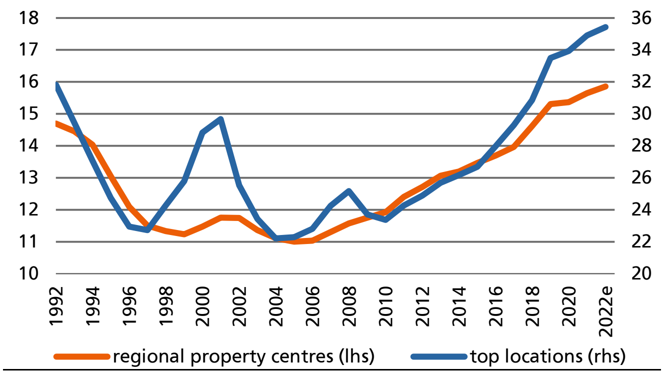
Source: bulwiengesa, Scope

THEORETICAL OFFICE SPACE PER OFFICE EMPLOYEE (IN M²) INCREASED AGAIN SLIGHTLY IN 2020 AFTER A LONG DECLINE



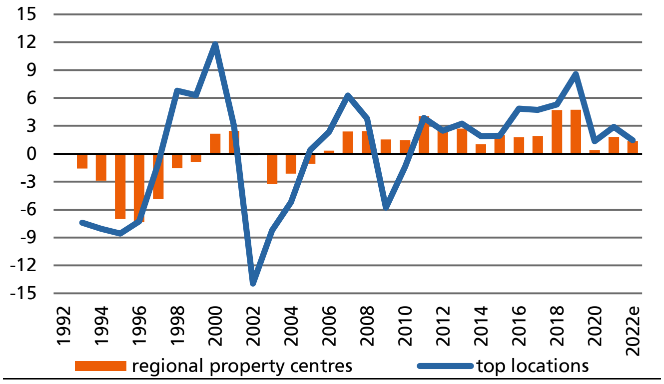
Source: bulwiengesa, DZ BANK

**PRIME OFFICE RENTS CONTINUED TO RISE IN 2021
(PRIME OFFICE RENTS: INCREASE FROM 2010 TO 2020 IN %)**



Source: bulwiengesa

**RENT TREND IN REGIONAL CENTRES POSITIVE SINCE 2006
(PRIME OFFICE RENTS IN % YOY)**

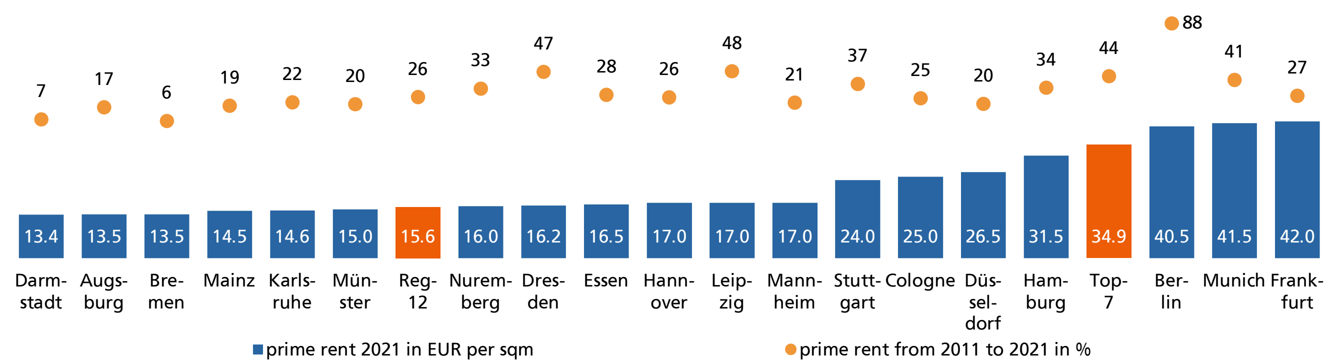


Source: bulwiengesa

In the last ten years, office rents in the 12 regional centres have increased by about a quarter. The average prime rent here at the end of 2021 was EUR 15.60 per m². Rents (m²) range from EUR 13.40 in Darmstadt to EUR 17 in the three cities of Hannover, Leipzig and Mannheim. Rent growth in the seven top locations was considerably stronger at more than 40 per cent. The higher growth is mainly attributable to the booming Berlin office market which, because of its high market share, has driven the average prime rent in the top locations up to EUR 34.90 m² recently. Rents (per m²) range from EUR 24 in Stuttgart to EUR 42 in Frankfurt, which thus remains the most expensive German office location by a very narrow margin.

Thanks to Berlin, the rent trend in the Top 7 outpaces the regional centres

PRIME OFFICE RENTS: WIDE DIVERGENCE IN RENT LEVELS AND RATES OF INCREASE

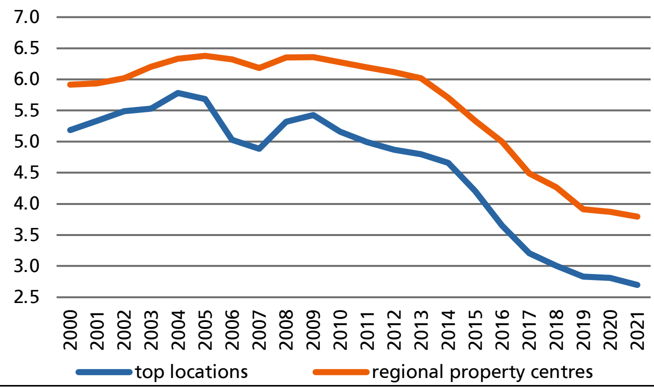


Source: bulwiengesa

The high level of investor interest in top-class office properties caused initial rental yields to fall again in 2021. They declined overall by one tenth of a percentage point compared to 2020, reaching a historic low. The range of initial rental yields in the seven top locations extends from 2.5 per cent in Berlin to 3.0 per cent in Cologne. The yield divergence in the regional centres is slightly larger. The lowest rental yields are in the two rapidly growing locations of Dresden (3.4 per cent) and Leipzig (3.5 per cent) in Saxony. The rental yields of most of the regional centres are around 4 per cent. The figure for Bremen is half a percentage point higher.

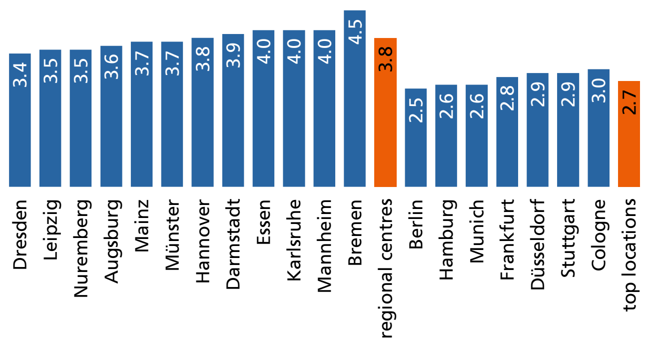
As in the previous year, East German locations are top of the league for office yields

DOWNWARD TREND IN OFFICE YIELDS CONTINUES IN 2021 (OFFICES IN CENTRAL LOCATIONS: INITIAL RENTAL YIELD IN %)



Source: bulwiengesa

MEAGRE RETURNS: YIELDS OF AROUND 4% THE END OF THE LINE (OFFICES IN CENTRAL LOCATIONS: INITIAL RENTAL YIELD IN %, 2021)



Source: bulwiengesa

Conclusion and forecast for office market

Space which facilitates high quality communications needed for hybrid office concept

The office market is in a state of upheaval. Many employers and office workers are opting to spend a significantly larger proportion of time working from home than pre-Covid. However, office buildings with their advantages in terms of communications and team work are by no means superfluous. The number of desks and the size of office space are nevertheless being reduced slightly. Demographics also plays a role here. These effects should however be less marked in attractive office locations because of their pulling power.

Prime rents likely to increase further despite uptick in development of new office space

Demand for modern and high-value office space could benefit from the hybrid office concept. Offices with high sustainability standards are particularly in demand. The upward trend in prime rents could continue. The growing supply of office space should have virtually no dampening effect, because after many years of minimal new build activity, demand for modern space is correspondingly high. High costs and scarce resources could also rapidly curtail new construction.

Office locations would also withstand an extension of the pandemic

Will the pandemic be largely over in 2022 after Omicron? If so, office market activity should normalise again rapidly this year. A prolongation of the pandemic could have a further dampening effect on office markets. However, as the last two years of the pandemic have demonstrated, office locations should be able to largely withstand this again unscathed.

OFFICE – FORECASTS FOR PRIME RENTS AND VACANCY RATES

	2020	2021	2022e
12 regional centres			
Prime rents in EUR/m² (vs. previous year in %)	15.4 (0.4)	15.6 (1.8)	15.9 (1.4)
Vacancy rate in % (vs. previous year in % points)	3.7 (0.3)	4.1 (0.4)	4.2 (0.1)
7 top locations			
Prime rents in EUR/m² (vs. previous year in %)	33.9 (1.3)	34.9 (2.9)	35.4 (1.5)
Vacancy rate in % (vs. previous year in % points)	3.5 (0.6)	4.5 (1.0)	4.8 (0.3)

Source: bulwiengesa, DZ BANK forecast all averages are space-weighted

Prime rents represent the average of the top 3 to 5 per cent of market rentals, and the stated figure does not therefore correspond to the absolute top rent.

Retail property: “Transition in (city centre) retail” in full swing

Delta variant shattered hopes of year-end retail rally

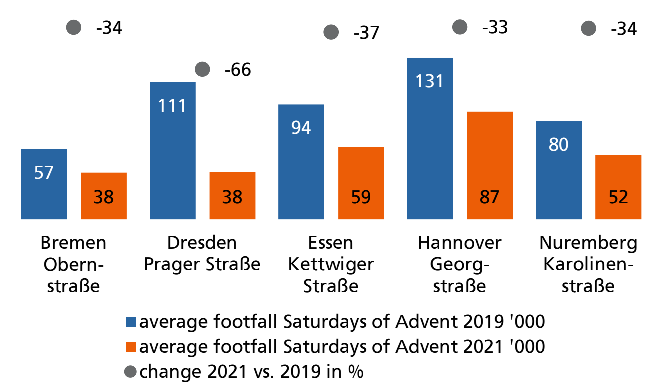
After lockdown, the absence of tourists, and the loss of Christmas business in 2020, conditions for city centre retail appeared to be improving last summer. By August 2021, footfall in pedestrian zones had almost returned to pre-Covid levels. The prospects also looked good for strong Christmas sales, partly because of the substantial savings accumulated by households during the pandemic. However, things then took a different turn – in the autumn the Delta variant caused a rapid rise in the number of Covid cases, leading to the imposition of restrictions such as the “2G” rule in restaurants and shops and to the cancellation of many Christmas markets. Shelves also remained empty because goods ordered failed to arrive on time due to supply chain disruption.

Consequences were further high sales losses and growing vacancy rates

This led to more substantial sales losses for businesses, while conversely prompting another surge in online sales. There was no improvement at the turn of the year. Instead of Delta, Omicron was now causing large numbers of infections, deterring customers from venturing into city centres. Gaps due to the growing number of closed shops were offset to some extent by pop-up stores or cultural activities, often supported by regional economic stimulus. The situation may improve from the spring. Rising temperatures, but above all the transition from a “pandemic” to an “endemic” phase expected by the experts could mitigate the negative effects of the pandemic. However, as the progress of the pandemic has shown so far, there is no certainty that this will happen. And even a rapid end to Covid would not mark a return to pre-pandemic conditions in the retail sector.

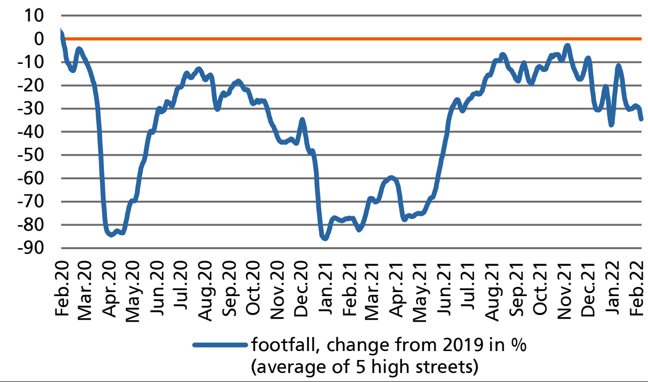
Transition from pandemic to endemic phase could end negative effects on retail from spring 2022

COVID PUT THE DAMPERS ON CHRISTMAS BUSINESS AGAIN IN 2021



Source: hystreet.com

SUBDUED START TO 2022 FOR RETAIL: FOOTFALL DOWN SHARPLY ON PRE-COVID LEVELS



Source: hystreet.com, Federal Statistical Office per 7 Feb 2022

Berlin (Kurfürstendamm North side), Frankfurt (Große Bockenheimer Str.), Hamburg (Spitalerstr.), Cologne (Schildergasse), Munich (Neuhauser Str.)

Space demand for classic city centre retail likely to decline further

In fact the endemic scenario will herald a “new normal” for city centre retail. Before Covid, many products on sale in city centres – particularly fashion, shoes and electronics – were already increasingly being ordered online. Online sales account for nearly 40 per cent of fashion and electronics. This trend has accelerated as a result of the pandemic and is likely to continue, particularly since older consumers are also increasingly shopping online. Demand for classic city centre retail space is therefore likely to continue to decline, and retail chains will not extend their thinned-out branch networks in prime locations again.

Lower rents generate interest in different uses for city centre space

This trend will have a severe impact on city centres, but will also create opportunities. One of the consequences will be a steep decline in rental income. The vacancy rate gave retailers more negotiating power to secure significant rent concessions. A landlord's market became a tenant's market. However, the freeing up of space and lower rents are also creating potential for owner-managed businesses, hospitality and retail concepts which were not previously present in city centres. Examples of these are internet traders or – as in Bremen – furniture stores. City centre offer is consequently becoming more diverse again, and thus more attractive compared to the previous retail chain monoculture.

Repurposing of obsolete retail space has already started

In what may be a sign of a fundamental shift, the local supply segment is also becoming more important. Longstanding redundant retail space – particularly on the upper floors of buildings – can provide city centre access for alternative types of usage such as offices, housing or hotels, which will boost city centre demand for local suppliers. Repurposing has already started. In some cities, former retail space - such as department stores - is being converted to provide facilities for particular districts with a mix of retail, offices, hotels and housing. However, another reason for the pressure to repurpose city centres is that, despite growth in e-commerce, new sales space has been developed over a long period of time.

But recalibrating city centres is not easy

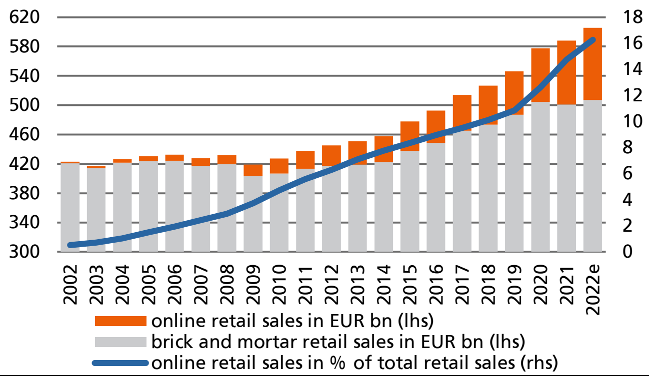
With a shift in consumer behaviour already evident before Covid, cities now need to recalibrate their city centre concepts. This can only be done successfully with the co-operation of space users and property owners. There is undoubtedly potential for conflict between the economic interests of property owners and generally advantageous use for the city centre. Discounters and drugstores may be good tenants, but they do not make a city centre more attractive. Property owners also face the challenge of investing at a time of falling rents, either to maintain a high level of interest from retailers and customers, or to facilitate a change of use.

Market conditions for retail

In-store retail sales declined in real terms in 2021

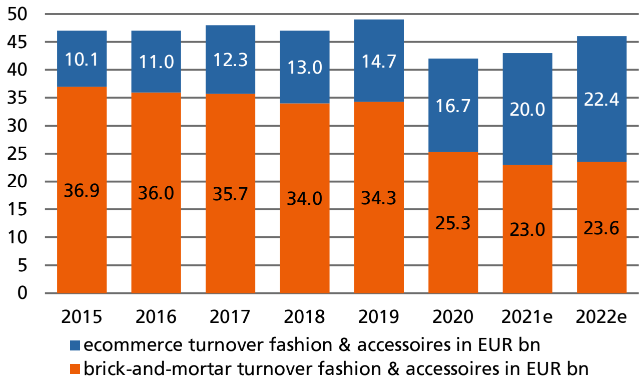
It would have been very surprising if the retail sector had matched the record sales growth of nearly 6 per cent achieved in 2020. Probably due in part to the restrictions imposed on retail activity, growth contracted to a third of this level. With reported growth of a good 2 per cent, according to figures from the HDE (the German Retail Federation), total retail sales increased to EUR 588bn. However, annual results were more subdued for two reasons. Sales growth in 2021 was solely attributable to online retail, which according to HDE data, grew by nearly 20 per cent to EUR 87bn. The proportion of sales generated from e-commerce thus increased to 15 per cent in 2021, while in-store retail contracted by a good 1 per cent. The situation was com-

RETAIL SALES ONLY INCREASED SLIGHTLY IN 2021 AS A RESULT OF STRONG GROWTH IN ONLINE RETAIL



Source: HDE turnover without VAT

FASHION SELLING HAS BEEN STAGNATING FOR A LONG TIME - BUT IT LOOKS PARTICULARLY BLEAK FOR SHOPS

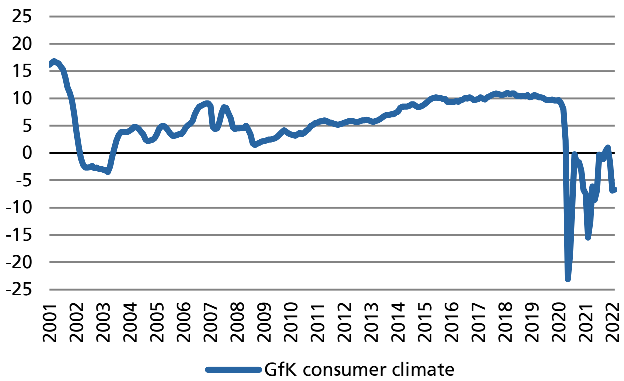


Source: HDE, IFH Cologne turnover without VAT pounded by higher inflation which had little real impact on sales in 2020, but did lead to a visible decline in 2021. Adjusted for inflation, in-store retail therefore declined sharply. For 2022, the HDE expects retail sales of just over EUR 600 bn euros, of which online shopping is expected to contribute almost EUR 100 bn.

Textile sales already weak for some time

The situation for city centre retail is even less favourable. This applies above all to the textiles/fashion segment, which is the most important for the city centre. Here, the sales volume has not only been stagnating for some time, it is also increasingly being diminished by online shopping. After the share of e-commerce already increased from just over 20 per cent to 30 per cent between 2015 and 2019, the pandemic has made it even more important. In the current year, almost half of the fashion business is expected to go over the virtual counter, which means that stationary sales have fallen by a third compared to 2015.

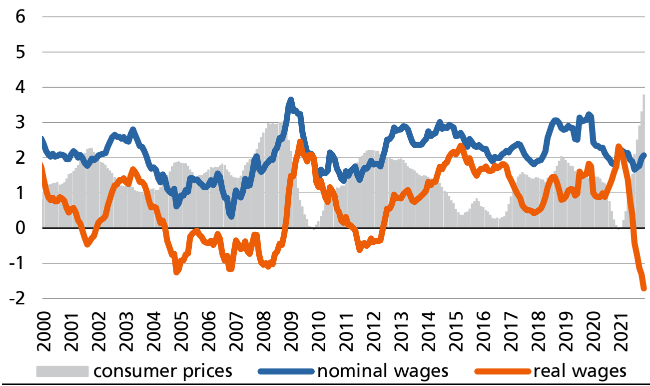
CONSUMER SENTIMENT HAS NOT YET RECOVERED TO PRE-COVID LEVELS
(GFK CONSUMER CLIMATE IN POINTS)



Source: GfK

Per January 2021

SHARP RISE IN INFLATION PUSHES REAL WAGE GROWTH DEEP INTO NEGATIVE TERRITORY
(CONSUMER PRICES AND WAGES IN % YOY)



Source: Refinitiv, Federal Statistical Office

Deterioration in consumer climate and steep price rises depress shopping

In addition to demographic growth, which has now come to a halt (see page 20), the retail sector has been supported in recent years by a buoyant consumer climate and real growth in incomes. However, the pandemic has had a visibly negative impact on both these factors. While consumer sentiment should recover strongly when the pandemic ends, the trend in real incomes could be less positive. The inflation rate - which surged at the end of 2021 mainly due to the hike in energy prices - should fall again when the impact of one-off factors such as the temporary VAT reduction in 2020 has worn off. Inflation is nevertheless expected to remain higher until at least 2023, with a correspondingly negative impact on nominal income growth. Price increases for energy – oil, gas and electricity – in particular are likely to hit private households this year, restricting the funds available for consumption.

Labour market supports consumption

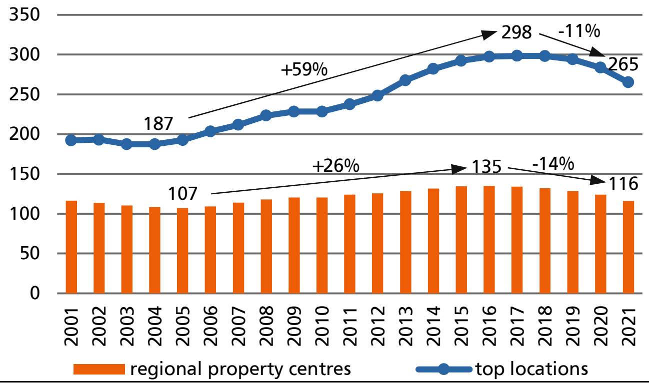
Conversely, one positive factor is that the trend in the labour market has largely offset the negative effects of the pandemic. The high employment figures and job vacancies, and the low unemployment rate seen before Covid have now almost returned – see page 6. Although short-time working has increased, it is nowhere near the levels seen in both 2020 and 2021.

Retail: Market trend in the locations reviewed

High demand for sales space until a few years ago drove up prime rents in the Top 7

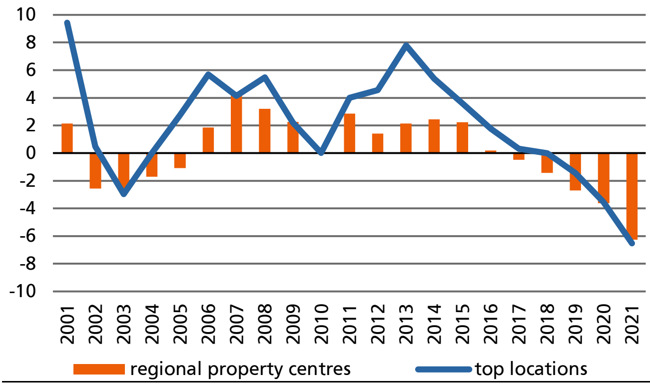
The post-millennial trend in the retail sector has clearly left its mark on the locations reviewed. For a long time – especially from 2005 to 2015 – rents in prime locations increased because retail chains were committed to establishing dense branch networks and generated high demand for sales space. This had a particular impact on rapidly growing top locations with an international orientation. These are the best places to test new concepts. They also act as a "gateway" for foreign retailers keen

PRIME RETAIL RENTS (EUR PER M²) ALREADY FALLING FOR SOME TIME, BUT COVID HAS ACCELERATED THE DOWNWARD TREND



Source: bulwiengesa, DZ BANK

DECLINE IN RENTS (VS. PREV. YR. IN %) DURING THE PANDEMIC HAD A SIMILAR IMPACT ON BOTH TYPES OF LOCATION



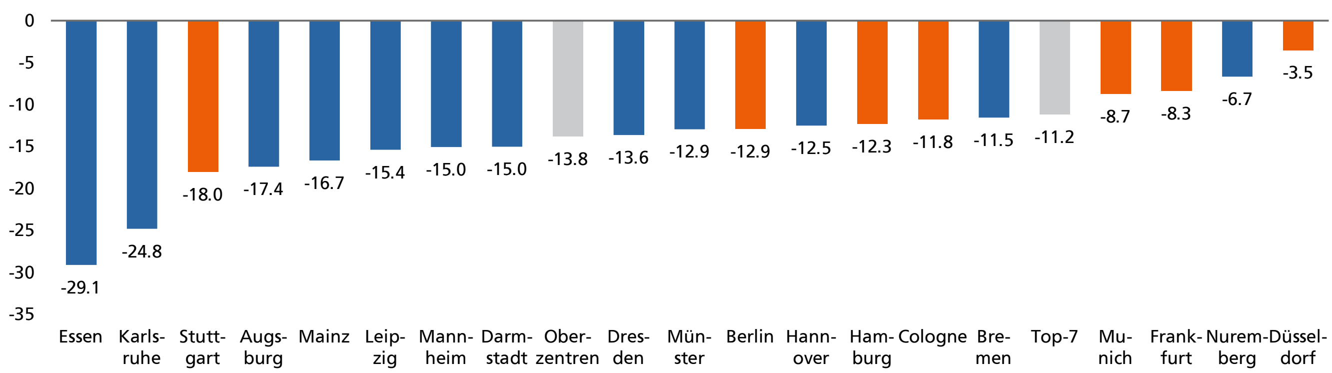
Source: bulwiengesa

to expand into the German market. Conversely, the regional centres are more interchangeable because there are more of them and they tend to be geared to regional markets. This is leading to significantly stronger rent growth in the top locations, despite already higher starting levels.

Prime rents had already started to decline before Covid

Clearly, little has changed in terms of fundamental assessments of the various locations. For the decline in space demand as a result of the upheaval in city centre retail has caused a slightly weaker decline in the much higher rents in the top locations than in the regional centres. The decline had already started pre-Covid, but has accelerated considerably as a result of the pandemic. Compared to the peak levels of 2016/17, prime rents in the top locations have fallen by around 11 per cent, and by a good 14 per cent in the regional centres. In the two years of the pandemic the percentage decline in rents has been similar.

PRIME RENTS FALLING EVERYWHERE – BUT DIVERGE VERY WIDELY DEPENDING ON LOCATION (DIVERGENCE IN PRIME RENTS IN 2021 FROM THE MAXIMUM IN %, PERIOD 2010 TO 2019)



Source: bulwiengesa

Prime rents in regional centres have already lost a substantial proportion of their previous increase again

After fluctuating, average prime rents in the regional centres had reached around EUR 116 per m² at the end of 2021, only slightly higher (8 per cent) than their 2005 level. Given a cumulative price increase of around 28 per cent during this period, inflation-adjusted rents are clearly lower than they were before rents started to rise at that time. The trend in the top locations has been more favourable. Here prime rents had fallen to around EUR 265 m² by the end of 2021. However, they are consequently about 40 per cent higher than the figures recorded then. The rent trend in the Top 7 thus remains positive even after inflation is taken into account.

Prime retail rents falling in all locations

The decline in rents we have described affected all 19 cities in our market report. At the end of 2021 rents everywhere were below their pre-2019 peaks. However, a glance at the individual locations shows a wide range. The steepest rent decline of nearly 30 per cent is in Essen. Conversely, in Düsseldorf – which is less than 40 kilometres away – the figure was less than 4 per cent. However, despite their high levels, previous maximum rents in Nuremberg, Frankfurt and Munich did not even decline by 10 per cent. In addition to Essen, rents also fell sharply in Karlsruhe (25 per cent) and in Augsburg and Stuttgart (nearly 20 per cent).

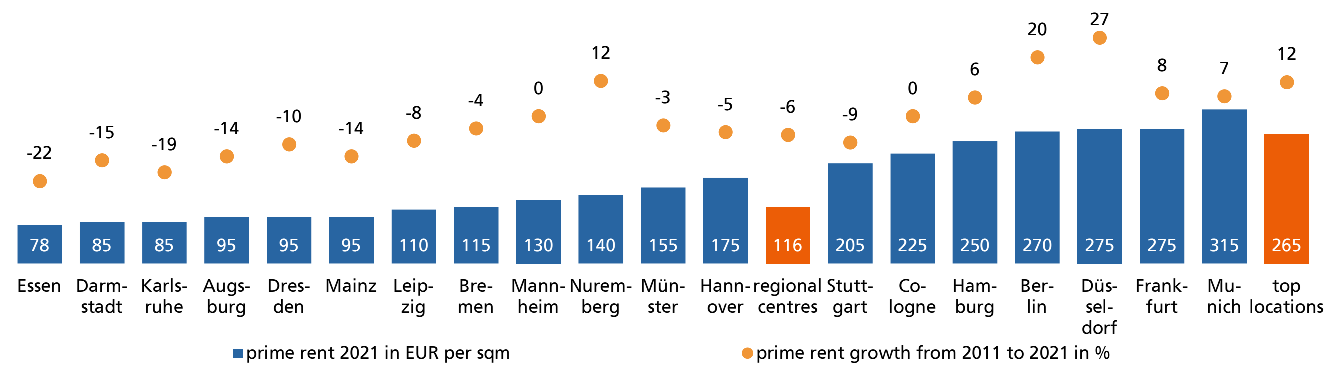
Regional factors overlay generally negative effects of online shopping and pandemic

The varying rent trend shows the extent to which regional factors overlay the general negative impact on city centre retail of online shopping and the pandemic. One aspect is sales space, large volumes of which are being lost in Essen and Stuttgart, for example as a result of city centre shopping centres. Customer potential also varies due to population trends and tourism. The economic base also has a major impact, and in Berlin for example has followed a positive trend. The attractions of the respective city centre also have an impact, as does competition with neighbouring cities or peripheral shopping locations. Longstanding building works in the city centres of, for example, Stuttgart or Karlsruhe, have a negative impact on retail. Conversely, when the building work has been completed, the city centre becomes more attractive, as in the case of Düsseldorf or Mannheim for example.

Half of regional centres still achieving triple-digit prime rents

The locations reviewed in this market report consistently showed triple-digit prime rents in 2017. This picture has altered visibly, with six regional centres reporting prime rents of less than EUR 100 per m² in 2021. The lowest was EUR 78 per m² in Essen. The regional centres, which showed the highest rent levels before the pandemic, have remained comparatively stable thanks to their locational strength. Hannover remains the most expensive regional centre with prime rents of EUR 175 per m².

PRIME RETAIL RENTS: BOTH RENT LEVELS AND RENT TRENDS DIVERGE WIDELY

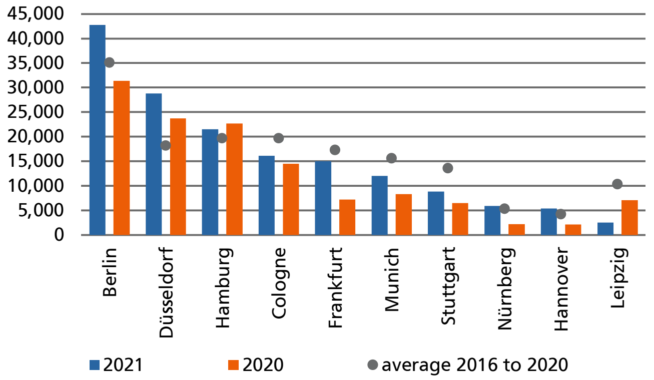


Source: bulwiengesa

RETAIL SPACE READILY AVAILABLE EVERYWHERE, BUT SUPPLY HAS NOT CONTINUED TO GROW COMPARED TO 2020 (AVAILABLE SALES SPACE AT END OF 2021 IN %)

Source: JLL

WITHDRAWAL OF CHAIN STORES CAN CREATE POTENTIAL FOR OTHER OPERATORS TO OPEN CITY CENTRE BUSINESSES (RETAIL RENTAL REVENUE IN M²)



Source: JLL

Munich by far the most expensive German shopping location at more than EUR 300 per m²

In Stuttgart, which is the cheapest of the top locations, the prime rent is EUR 30 per m² higher than in Hannover. The south German city also showed the weakest rent trend among the Top 7. Munich remains the most expensive with a prime rent of recently EUR 315 per m². The Bavarian state capital has thus consistently maintained a prime rent level of more than EUR 300 per m² since 2021. Berlin had recently moved up the ranks to become the second most expensive German shopping location, but has now slipped back behind Frankfurt and Düsseldorf because rents in the capital have fallen more sharply. In 2021, the German capital lay in fourth position with a prime rent of EUR 270 per m².

Large supply, but also solid demand: positive trend in space rental in 2021

Contrary to what the decline in rents would suggest, there was a positive trend in rental activity for sales space in 2021. This is evident from an evaluation of nine new locations carried out by JLL. The withdrawal of the chain stores provides other operators with an opportunity to open businesses in attractive city centre locations. Rental income was generally higher in 2021 than in 2020. In some cases, the average level from 2016 to 2020 was even exceeded. The volume of available city centre sales space remained stable in 2021 compared to the previous year. The largest proportion of rented space (nearly 30 per cent) was used for cafés and restaurants/groceries. Fashion and textiles, which previously dominated demand, accounted for only a quarter of rented space. Health and beauty represented 10 per cent, sport/outdoor 8 per cent, and household goods/home furnishings 7 per cent.

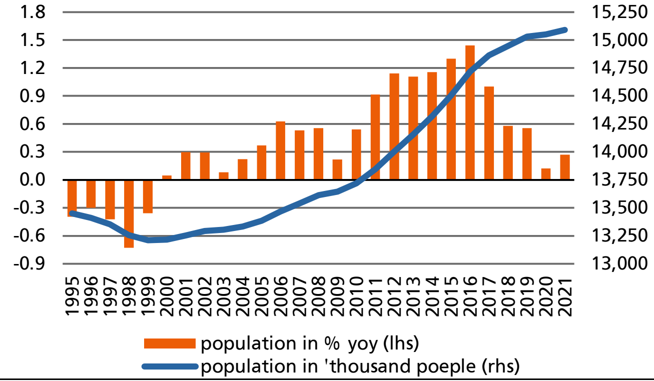
Populations of the 19 cities grew by nearly 2 million within 20 years

Population growth also leads to an increase in customer potential. The 19 locations reviewed have benefited to a large degree from this. Within around 20 years, the cumulative number of inhabitants grew by nearly 2 million to just over 15 million. As a general rule of thumb, this population growth represents additional retail-relevant purchasing power of a good EUR 13.5bn. Between 2006 and 2019 in particular, city populations grew strongly. However, growth has now come to a halt. This is partly due to the pandemic, although population growth had already been slowing previously. One reason for this is weaker immigration to Germany.

Nearly all cities report strong population growth

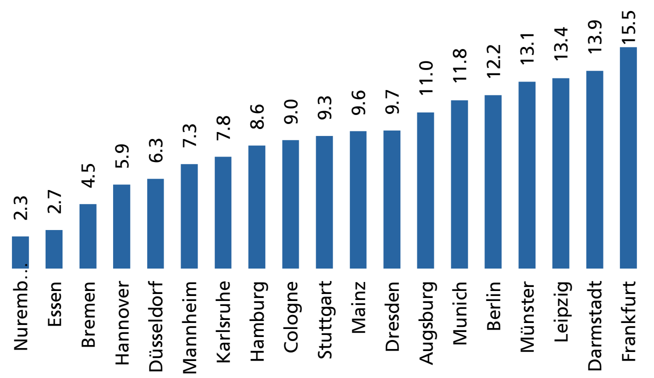
True, not all locations have benefited to the same extent from strong population growth. However, the populations of most cities have shown marked, and at times very strong growth. In nearly half of the locations, the population grew by around 10 per cent or more between 2010 and 2020. Only the populations of Essen and Nuremberg largely stagnated.

RETAIL BENEFITED FROM STRONG POPULATION GROWTH (CUMULATIVE POPULATION TREND IN ALL 19 LOCATIONS)



Source: Scope

POPULATION GROWTH DIVERGES WIDELY (POPULATION TREND FROM 2010 TO 2020 IN %)



Source: Scope

Many cities still have good growth potential. The previously rapid pace of population movement is unlikely to continue given weaker levels of immigration to Germany and the significant increases in residential rents in most places.

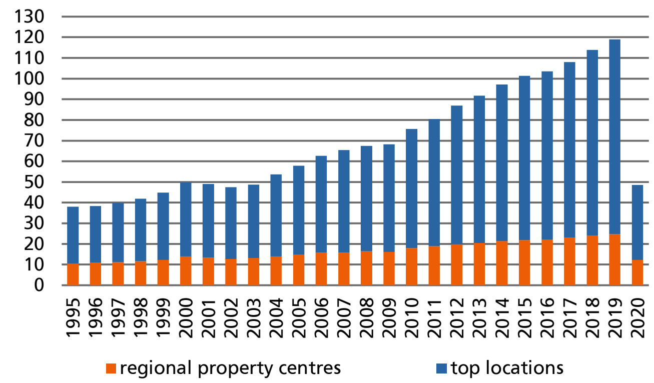
Tourism provides strong support for retail

In addition to population growth, booming city tourism and a large number of trade fair guests and business travellers have provided strong support for city centre retail. Over 20 years, the number of annual overnight stays has grown steadily, more than tripling from 1999 to 2019. However, tourism revenue diverges very widely. Only a few locations achieve high levels, while visitor numbers in most cities are fairly moderate.

Tourism should recover quickly after Covid, but business travel to a lesser extent

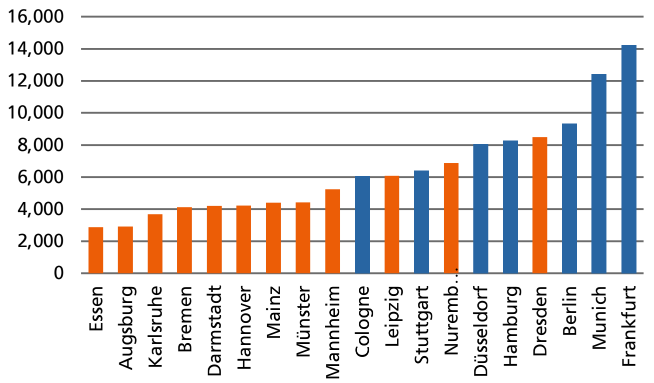
As a consequence of the pandemic, the number of visitors has dwindled towards the levels recorded at the end of the 1990s again, with a particularly negative impact on cities which normally have large volumes of tourists. However, tourism should recover again quickly. Business travel could nevertheless suffer for some time, because meetings and conferences are more likely to be held virtually in future.

BOOM IN CITY TOURISM PROVIDED STRONG SUPPORT FOR CITY CENTRE RETAIL UP TO 2019 (OVERNIGHT STAYS IN MILLION)



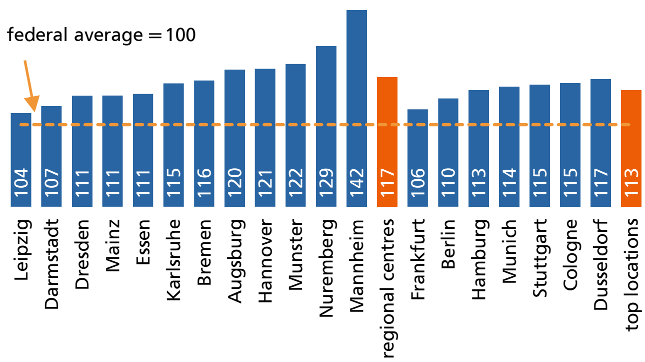
Source: bulwiengesa

IN ADDITION TO THE TOP LOCATIONS, LEIPZIG, NUREMBERG AND DRESDEN HAVE BENEFITED FROM HIGH VISITOR NUMBERS (OVERNIGHT STAYS PER 1,000 INHABITANTS 2019)



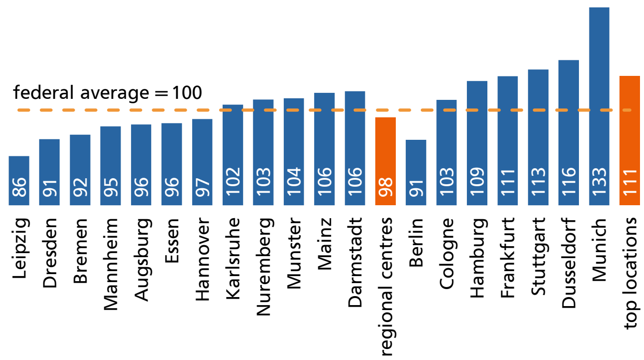
Source: bulwiengesa, Scope

LOCATIONS DRAW PURCHASING POWER FROM SURROUNDING AREA, AND MOST THEREFORE SHOW SOLID CENTRALITY VALUES (CENTRALITY FIGURES IN POINTS)



Source: bulwiengesa

MOST TOP LOCATIONS SHOW HIGH PURCHASING POWER (PURCHASING POWER FIGURES IN POINTS)



Source: bulwiengesa

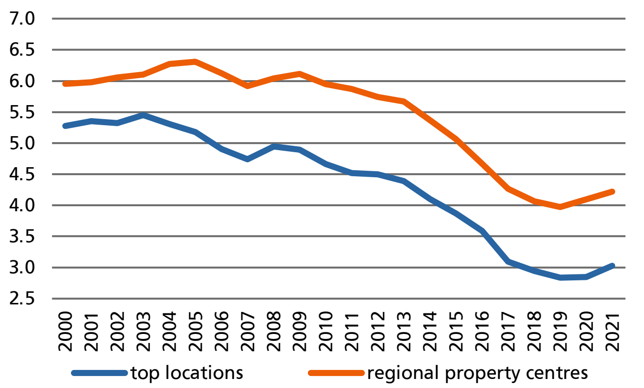
Purchasing power is visibly weak in a whole series of locations

All the locations draw in purchasing power from the surrounding area. Apart from individual upward and downward outliers, the differences between the locations are however fairly small. Only Nuremberg and Mannheim achieve high levels in their regions. The range of purchasing power is greater in the cities. Although the east German locations lag behind, levels in some west German regional centres are also well below average for Germany. Purchasing power in five regional centres is moderately higher than average for Germany. Levels are significantly higher in the top locations. Purchasing power in Munich is even more than 30 per cent above the German average.

Retail rental yields rise in defiance of downtrend in property market

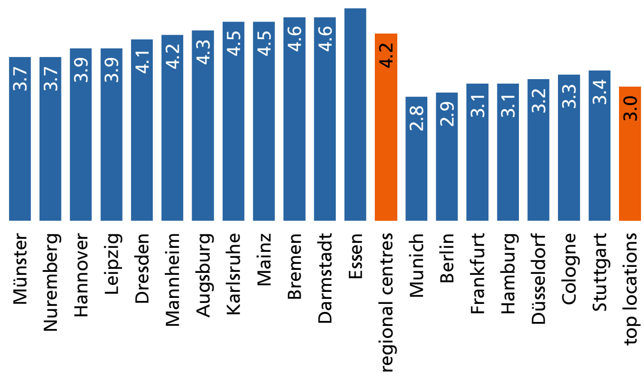
While retail properties are still in demand in the local supply segment, investors have become much more sceptical about city centre retail and shopping centres. Investment volume has also therefore fallen sharply. Initial rental yields have increased again, defying the downward yield trend in the property market. However, there has been no surge, merely a fairly moderate rise. Initial rental yields in the regional centres range from 3.7 per cent (Münster and Nuremberg) to 4.9 per cent (Essen) and are thus around half a percentage point higher than for office properties. Initial rental yields in the top locations range from 2.8 per cent (Munich) to 3.4 per cent (Stuttgart).

YIELDS OF RETAIL PROPERTIES DEFY THE TREND AND INCREASE (CITY CENTRE RETAIL LOCATIONS: INITIAL RENTAL YIELD IN %)



Source: bulwiengesa

RENTAL YIELDS STILL LOW DESPITE RETAIL CRISIS (CITY CENTRE RETAIL LOCATIONS: INITIAL RENTAL YIELD IN %, 2021)



Source: bulwiengesa

Conclusion and forecast for retail properties

Population growth and high tourist numbers have masked retail weakness for some time

The difficulties facing city centre retail began many years ago with the boom in online shopping. The retail chain monoculture has also made city centres less attractive. The concept which emerged decades ago of travelling to a city by car and shopping in often dreary pedestrian zones has survived. However, for a long time, rapid growth in the number of tourists and inhabitants masked the problems of many city centre retail locations. Without Covid, this trend would presumably have continued for some years to come, delaying the urgently needed structural change.

Unique opportunity: Pandemic forces reset instead of maintaining the status quo

However, the pandemic has forced retailers, property owners and cities to take action. Conditions for retailers will only improve on a sustained basis if customers still want to spend time in city centres. The crisis could lead to an upgrading of city centres. Cheaper rents and vacant sales space have provided opportunities for operators to establish a presence in prime locations for the first time, thus increasing the diversity of offer. There are numerous possibilities: new food concepts, suppliers who previously operated only online, luxury bicycles, regional businesses, “edgy” fashion, or city centre DIY stores. The repurposing of obsolete retail properties has also already started. However, developing city centres further within a manageable timeframe remains a more difficult task. The retail sector, with its wide-ranging powers of attraction and high rents will play a key function here.

Despite a possible end to the pandemic, prime rents are likely to weaken again

If, as many experts expect, the pandemic becomes endemic this year, conditions for city centre retail will improve, even if sales stagnate or decline slightly overall. For the number of businesses has also contracted, and the prospects for a reset are reasonably good. Prime rents are also likely to weaken slightly more this year due to high vacancy rates. Retailers are also conscious of their negotiating power. However, most of the rent decline is likely to be over. Rents in the regional centres could nevertheless fall slightly more steeply again. Conversely, the decline in rents in the top locations could slow visibly, because they will probably remain a focus for new operators.

RETAIL – FORECAST FOR PRIME RENTS

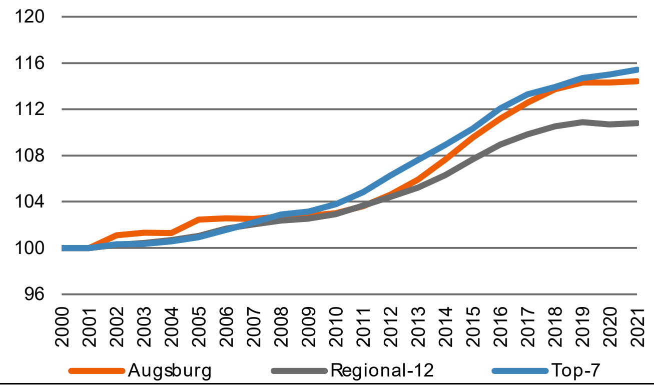
	2020	2021	2022e
12 regional centres			
Prime rents in EUR/m² (vs. prev. yr. in %)	123.9 (-3.6)	116.1 (-6.3)	112.8 (-2.8)
7 top locations			
Prime rents in EUR/m² (vs. prev. yr. in %)	283.6 (-3.6)	265.1 (-6.5)	261.1 (-1.5)

Source: bulwiengesa, DZ BANK forecast   all averages are space-weighted

Prime rents represent the average of the top 3 to 5 per cent of market rentals, and the stated figure does not therefore correspond to the absolute top rent.

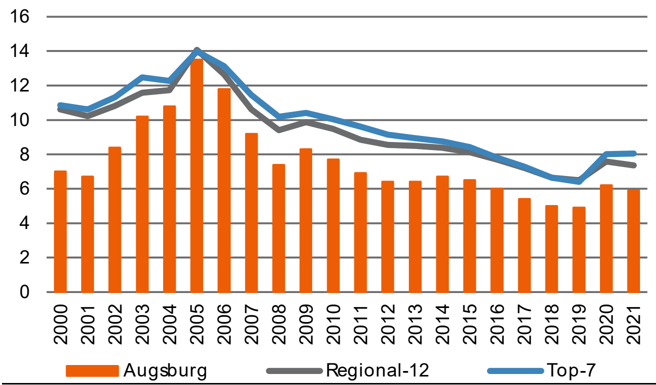
AUGSBURG

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

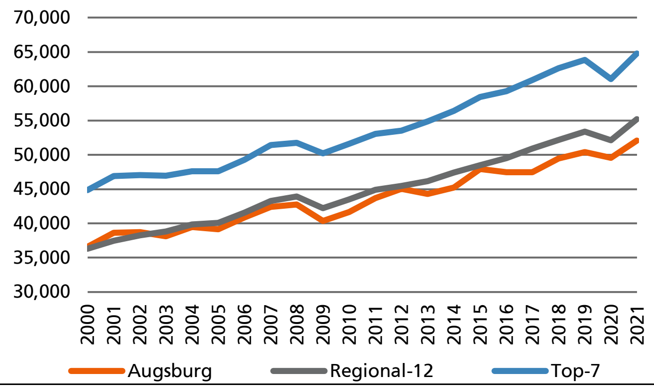


Source: bulwiengesa, BA (2021)

Augsburg benefits from proximity to Munich, but is also growing in its own right

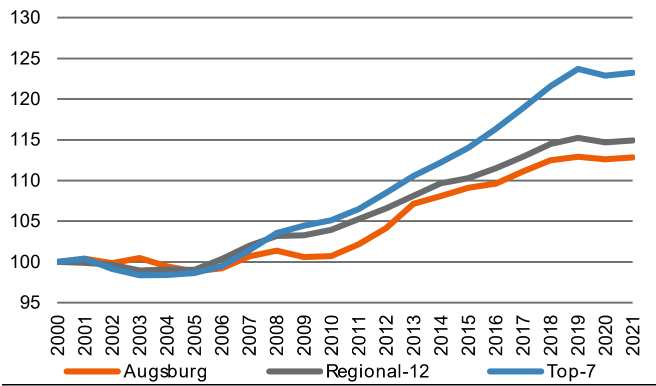
Augsburg, which was established by the Romans, and is famous for its City Hall, Goldener Saal, and the Fuggerei alms houses, is the third most densely populated city in Bavaria. After largely stagnating for a long time, its population started to grow rapidly ten years ago and has increased by about 12 per cent since 2010 to almost 300,000. One plus point is its proximity to Munich, as well as a much cheaper housing market. Commuters can reach the state capital 60 kilometres away quickly on Autobahn A8 or by rail on the Intercity Express (ICE). Augsburg also has extensive space reserves on former industrial and military sites. Homeworking could make Augsburg an even more attractive residential area if commuters no longer have to travel into the office every day. The city's economy has also recovered. The structural shift after the decline of the textile industry, the departure of the American forces, and major insolvencies has largely been completed. An unemployment rate of 5.0 per cent in December 2021 was as low as in other large cities in Bavaria, although, in addition to the coronavirus crisis, the labour market has also had to absorb the closure of the Fujitsu and Ledvance factories, as well as job losses at Kuka, MT Aerospace and MAN. Important economic sectors are fibre composite technology, environmental technology, IT, mechatronics, aerospace, and the cultural and creative industries. The establishment, in 1970, of the university which now has more than 26,000 students, has had a positive impact on the city's development. The construction of a new university clinic is generating growth in the scientific sector. In the years ahead the main station will be converted into a "mobility hub" with an underground tram stop.

GDP (IN EUR PER CAPITA)



Source: Scope

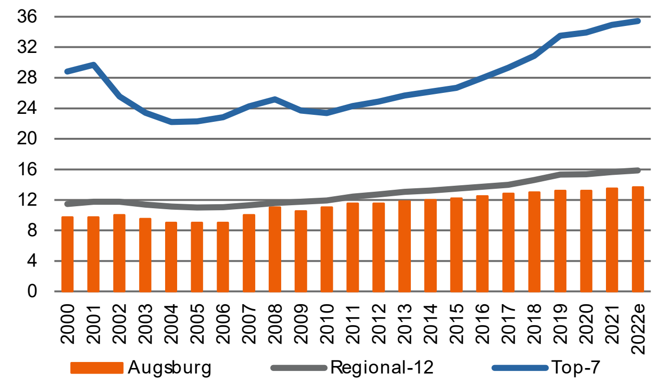
WORKING POPULATION (YEAR 2000 = 100)



Source: Scope

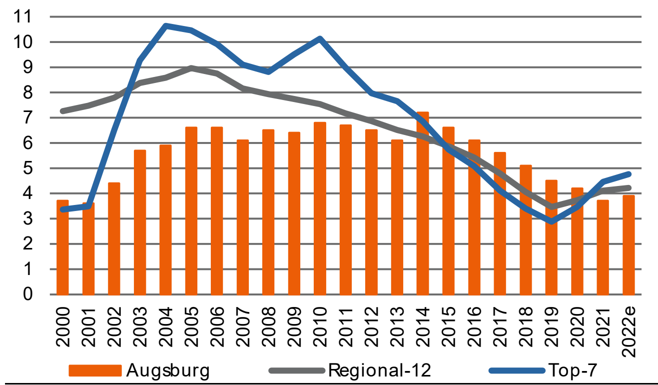
Office space in Augsburg

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast   Data for city centre locations

VACANCY RATE (%)

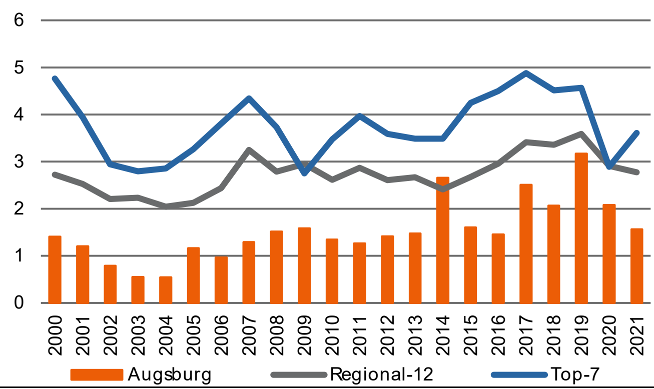


Source: bulwiengesa, DZ BANK forecast

Office: Vacancy rate fell to 20-year low in 2021

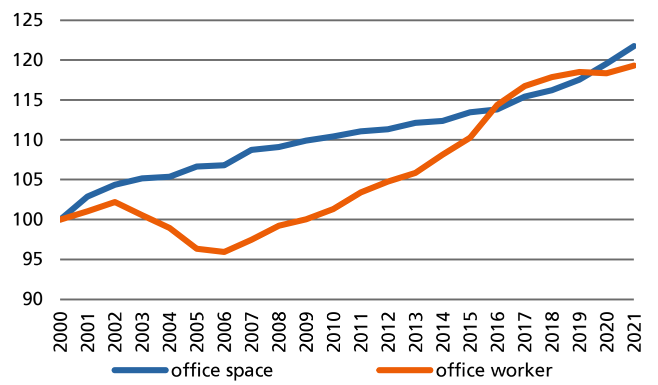
In contrast to the office market of Munich which is ten times as large, the pace is slower in Augsburg. Activity in the smallest office market covered in our report, which has office space of 1.5 million m², is mainly of a regional nature. Annual office take-up is also fairly low at around 2 per cent of the office stock. In 2021, the figure was still slightly lower at 23,000 m². However, the previous year's level of 30,000 m² would have been matched had a large 8,000 m² rental agreement negotiated with the Bavarian Construction Ministry not been withdrawn. This level was only just exceeded cumulatively by three largest rental agreements for Weltbild, Ebase-Bank and the District Administration. Most of the larger rental agreements related to new build projects, mainly in exclusively office locations such as the Innovation Park. The vacancy rate fell to 3.7 per cent in 2021, its lowest level in 20 years. Conversely, despite moderate office market activity, prime office rents in city centre locations increased to EUR 13.50 per m². Overall, prime office rents have increased by just shy of 20 per cent within ten years, which is slightly slower than average for the regional centres we have reviewed. The highest prime rent of around EUR 16 per m² is not however being achieved in the city centre, but in exclusively office locations. New office space reached a fairly high level of 30,000 m² in 2021. The prospects for the office location are generally positive given the technology-driven economy. Prime rents and vacancy rates should remain stable this year.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

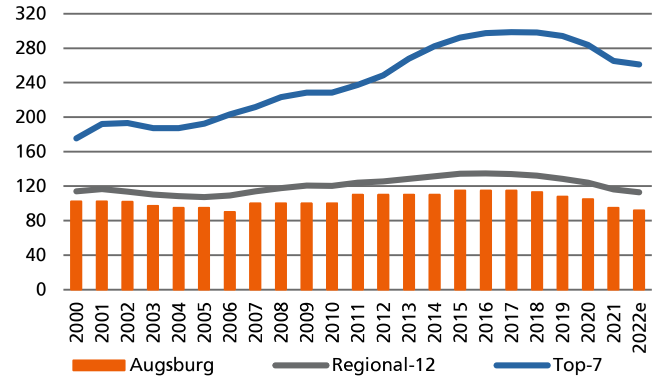
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: bulwiengesa, Scope

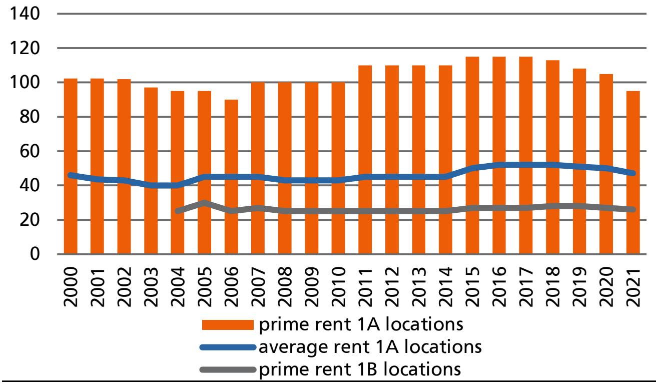
Retail space in Augsburg

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

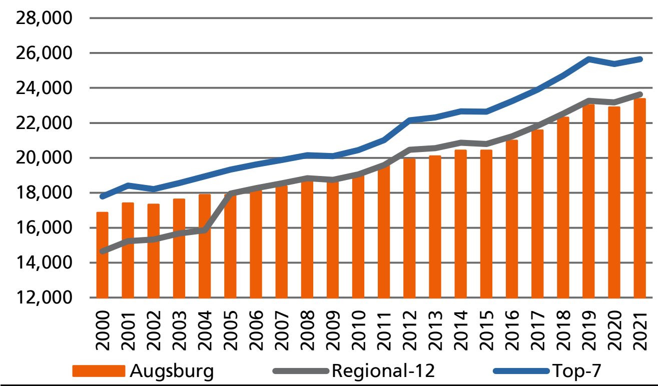


Source: bulwiengesa

Retail: Prime rents down by nearly 20 per cent since 2017

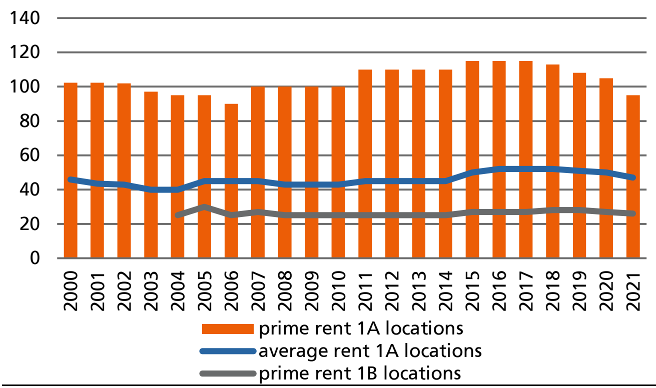
Thanks to its supply function in a catchment area of around 600,000 people, Augsburg has high sales space per capita of more than 3 m². The absence of any other shopping location of similar importance close to Augsburg - which is situated halfway between Munich and Ulm - has a positive impact on the city's centrality value of 120 points. However, purchasing power is slightly below-average at 96 points, partly due to the large number of students. One positive factor for the retail sector is increased customer potential due to strong demographic growth so far. The city centre was upgraded in 2018 when the former Fuggerstadt Centre close to the station reopened as "Helio" and the former K&L building in Bürgermeister-Fischer-Straße was renovated. However, even before the pandemic, retail activity in the attractive and recently renovated city centre of Augsburg was already facing problems. This was evident from the vacant properties in the prime location of Annastraße and the decline in prime rents since 2018. The downward trend in prime rents accelerated further in 2020 as a result of the pandemic. In 2021 the prime rent fell to EUR 95 per m². It is thus around 17 per cent below 2017 levels. One positive development is the renovation of the empty former Attingerhaus. The city of Augsburg also helps to bridge the gap with pop-up stores in vacant properties. A solution also seems to be emerging for the Woolworth building which has been disused for years. However, prime rents can be expected to decline further.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

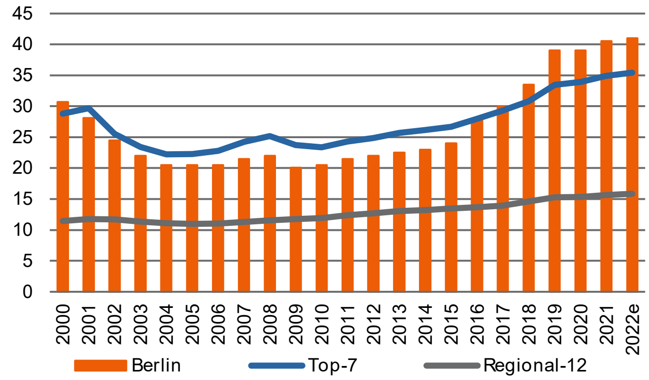


Source: bulwiengesa

BERLIN

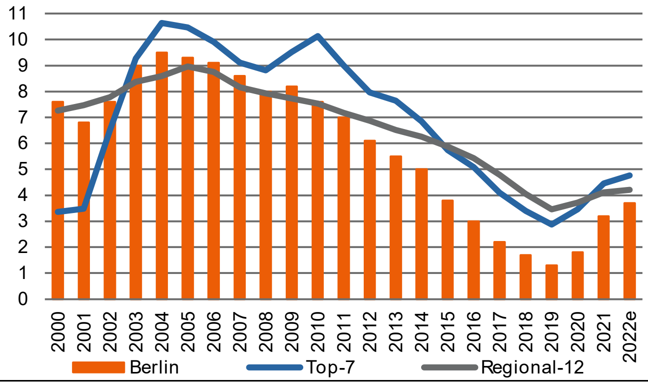
Office space in Berlin

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast Data for city centre locations

VACANCY RATE (%)

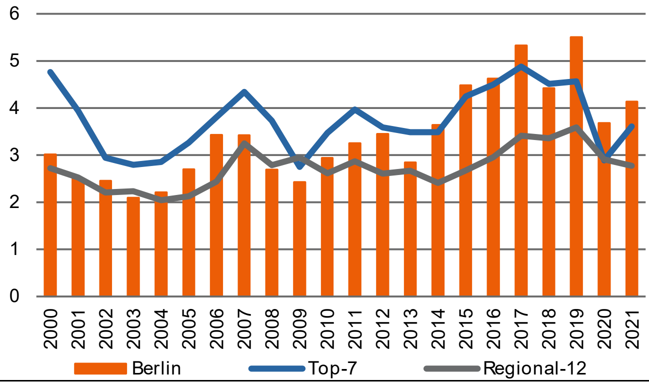


Source: bulwiengesa, DZ BANK forecast

Office: Berlin's limited space supply increases again as office construction picks up

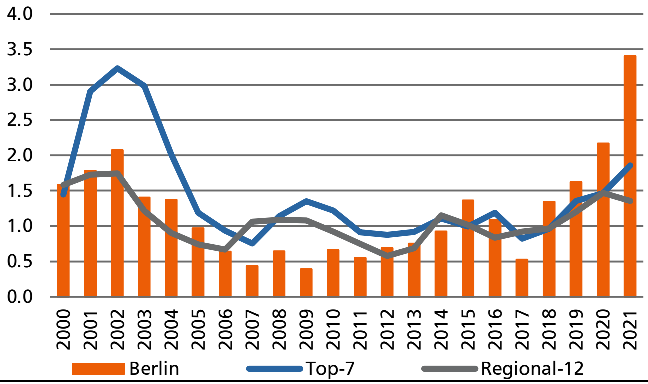
The upturn in Berlin has led to a strong revival in its office market, with no other top location reporting faster growth in office rents. Successful IT and e-commerce start-ups have played a part here. Until 2016, prime rents were average for the top locations. By the beginning of 2020 they had increased to a new peak of EUR 39.50 m²; after a slight decline as a result of the pandemic, they have now returned to this level. Berlin is also the only German office location where annual take-up exceeded 1 million m² before Covid. Vacancies have also been almost completed eradicated due to very strong demand for office space. In spring 2020 the vacancy rate was only slightly more than 1 per cent. Although office market activity fell short of the high level of 2019 during the pandemic, take-up reached a solid 840,000 m² again last year. All ten of the largest rental contracts were for new build projects, highlighting the scarce supply of modern office space. However, supply in the new build market is now picking up. Between 2021 and 2023 a cumulative 2 million m² of office space is likely to come onto the market – a level last seen ten years ago. The high level of new build activity is also reflected in an increased vacancy rate of 3.2 per cent, which could rise further towards 4 per cent over the year. Prime rents increased to EUR 40.5 per m² in 2021. Given the growth in the supply of space, there is less scope for further upward movement in 2022.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

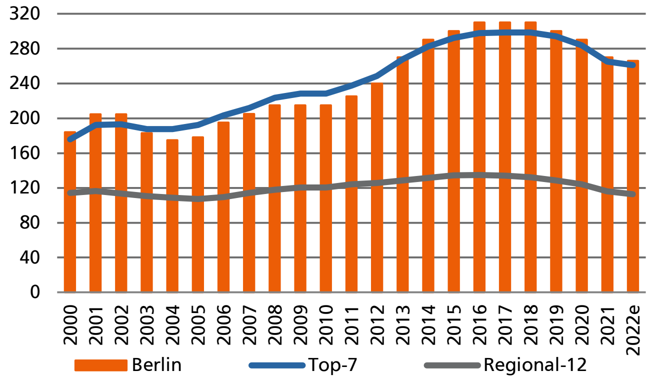
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

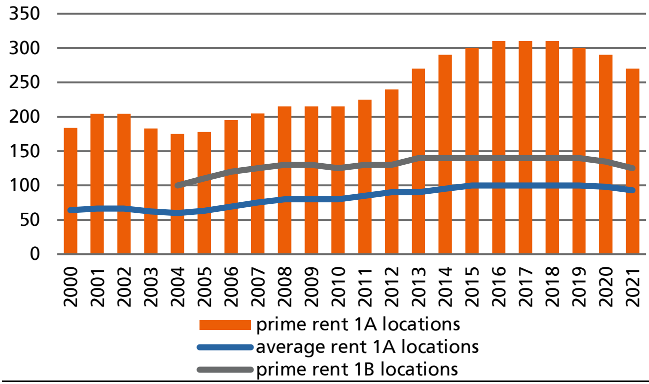
Retail space in Berlin

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

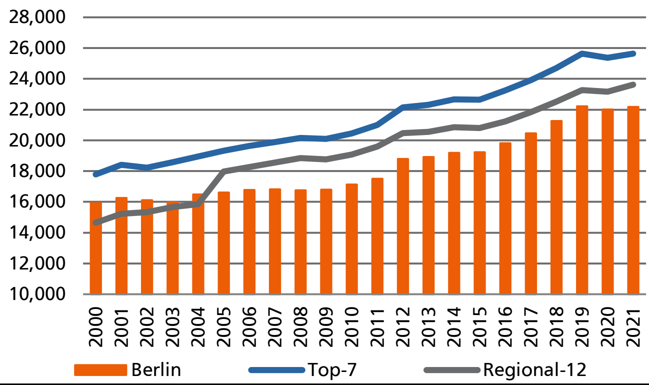


Source: bulwiengesa

Retail: Tourism likely to boost retail again, but will not solve all the problems

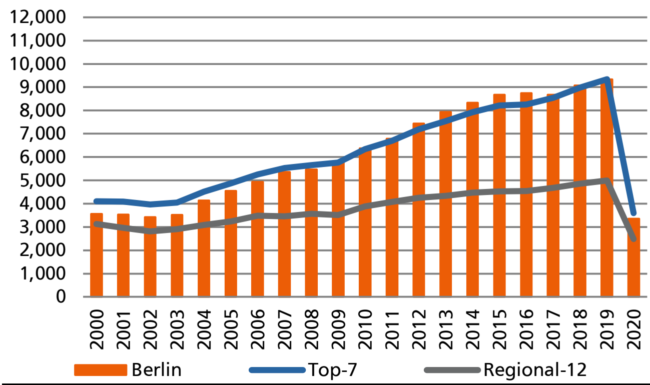
The retail sector has benefited greatly from the upturn in Berlin. Unemployment has fallen sharply while customer potential has increased significantly. The population has grown by more than 350,000 since 2011. Combined with growth in the surrounding area, the retail sector has the largest catchment area in Germany of nearly 5.5 million people. Tourism was also flourishing before Covid. In 2019 there were 34 million overnight stays, which then declined to 12 million in 2020. Visitors play a more important role here than in other top locations because Berliners have relatively low purchasing power. Apart from its size, the Berlin retail sector is notable for several geographically distinct prime locations. These include Tauentzienstraße which has the highest prime rents, Ku'damm, Alexanderplatz with its high footfall, Friedrichstraße, and the trendy Hackescher Markt. The city also has around 70 shopping centres, of which the large Mall of Berlin is a leading example. Prime rents stagnated at EUR 310 per m² from 2016 to 2019, before falling by 13 per cent to EUR 270 per m² by 2021. There is also a large volume of vacant properties. Locations which benefit particularly from high tourism revenue have born the brunt. The prospects for a rapid post-pandemic retail revival in the attractive capital city are good. However, given the increasing popularity of online shopping, the large supply of city centre sales space and the many shopping centres pose a challenge. Prime rents in top locations in Berlin could also weaken further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

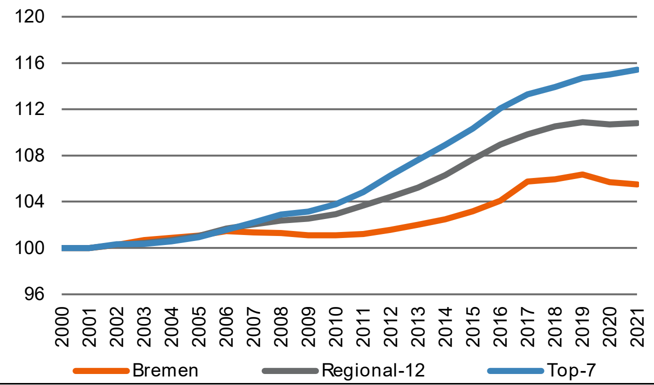
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

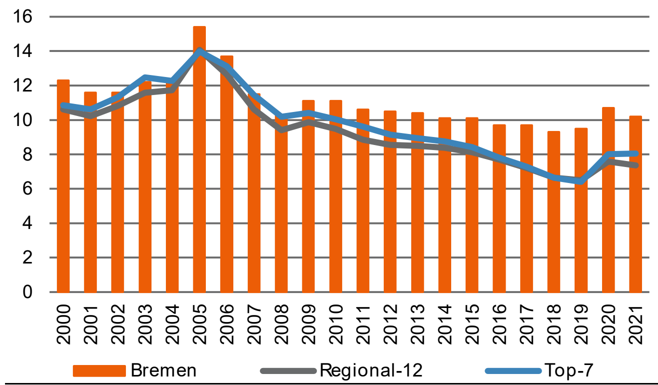
BREMEN

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

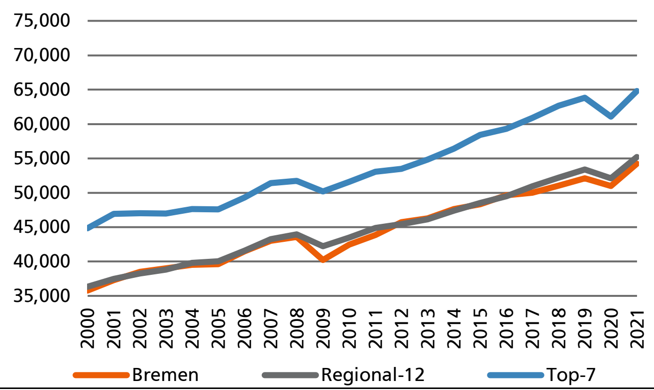


Source: bulwiengesa, BA (2021)

Successful business location with solid industrial base, large port and cutting-edge technology

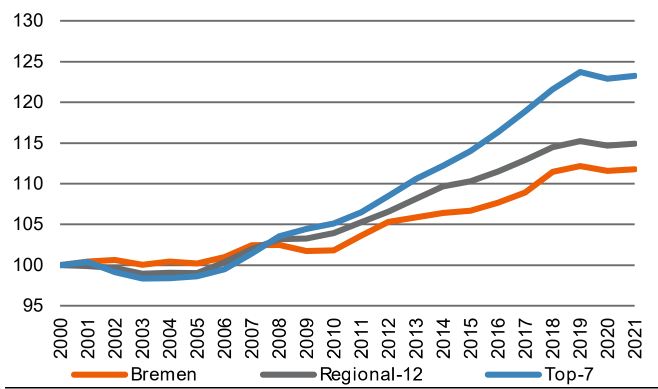
Bremen, the capital of the smallest federal state, is the eleventh most densely populated city in Germany. The population grew comparatively moderately by around 5 per cent between 2010 and 2020. Bremen's population has been stagnating since 2017 at just under 570,000. Weaker labour market conditions in particular are likely to have a braking effect. Despite a successful structural shift away from the crisis-stricken sectors of shipbuilding and heavy industry, unemployment remains high at 9.3 per cent (December 2021). As in many other cities, strong employment growth and an associated decline in the unemployment rate have failed to materialise. Economic success has been particularly notable in the vehicle construction, aerospace, food and drink, and biotechnology sectors. The broadly diversified maritime economy and logistics are also of major importance. The transition to a services and technology location has been supported by the university which was founded in 1971. Around 35,000 students attend higher education colleges in Bremen. Good road, rail, sea, and air links are advantageous. The largest companies in Bremen include Daimler, Arcelor-Mittal and Airbus. The property location has gained momentum with a large number of major projects. One relates to the Überseeinsel peninsula, where 1,200 apartments and 3,000 jobs are to be created on the former Kellogg site. Other projects relate to the Hulsberg, Tobacco, and Hachez quarters. The attractions of the city centre will also be visibly enhanced with further project development.

GDP (IN EUR PER CAPITA)



Source: Scope

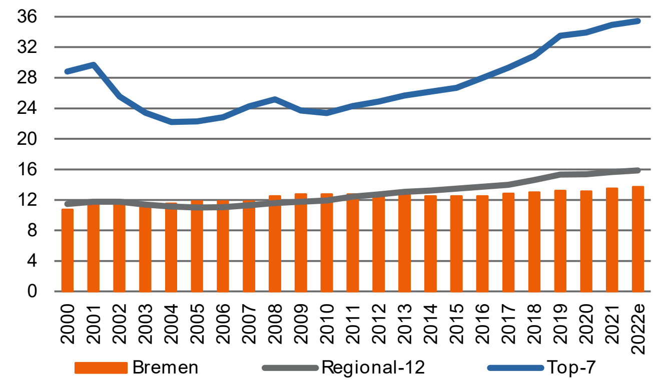
WORKING POPULATION (YEAR 2000 = 100)



Source: Scope

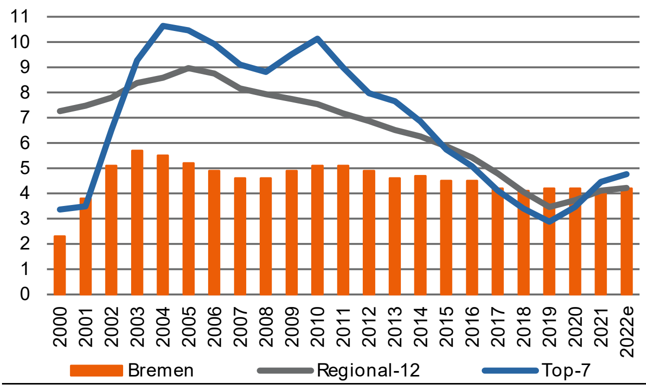
Office space in Bremen

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast Data for city centre locations

VACANCY RATE (%)

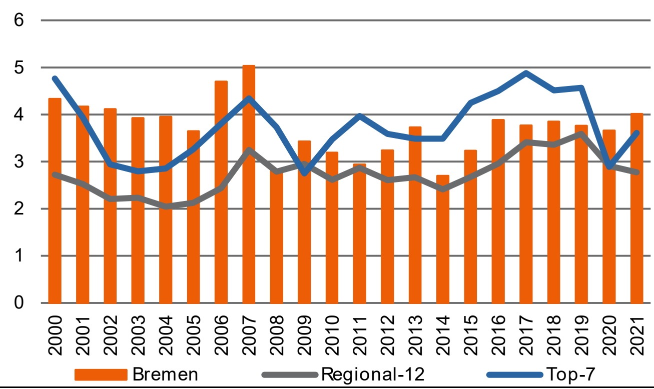


Source: bulwiengesa, DZ BANK forecast

Office: Despite the pandemic, rental activity is at a high level

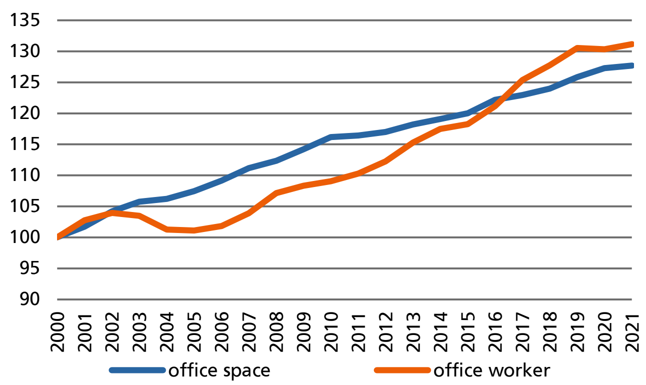
Bremen's office market has around 2.75 million m² of space. Ten-year growth is a relatively strong 10 per cent, a level necessary to keep pace with the significant growth in office employment. This is reflected in the low vacancy rate of just over 4 per cent which is at the lower end of the range for the last 20 years, and which has remained stable during the pandemic. The visible decline in rental activity in many office locations in 2021 was also similar to the previous year. Take-up of 110,000 m² (2021) - which was 10 per cent higher than in the previous year - was one of the three highest levels ever achieved in the Bremen office market. A large contract of around 15,000 m² for Deutsches Milchkontor contributed to this. The lion's share of rental activity is however driven by small and medium-sized contracts. Prime city centre office rents remained stable at EUR 13.50 per m². The slightly higher prime rents in out-of-town office locations also remained stable after falling slightly in 2020. Office market activity is in any case concentrated on peripheral locations such as Airport City, the Technology Park and the Überseestadt. A large number of attractive office properties have been created here, whereas many city centre office buildings are now outdated. The fact that the vacancy rate did not increase in 2021 is partly attributable to the small volume of new space of only 11,000 m². The figure could be 90,000 m² this year, and the vacancy rate could therefore increase slightly with office rents likely to remain stable.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

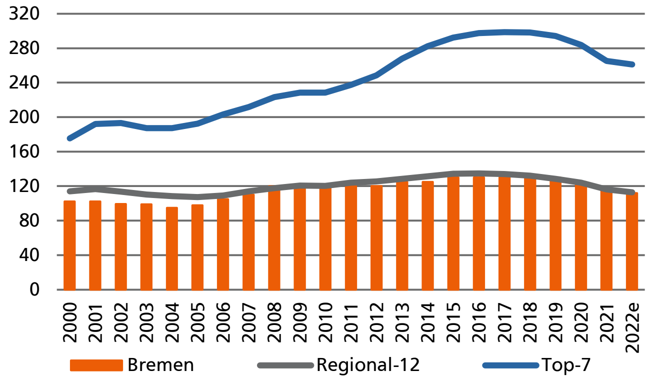
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

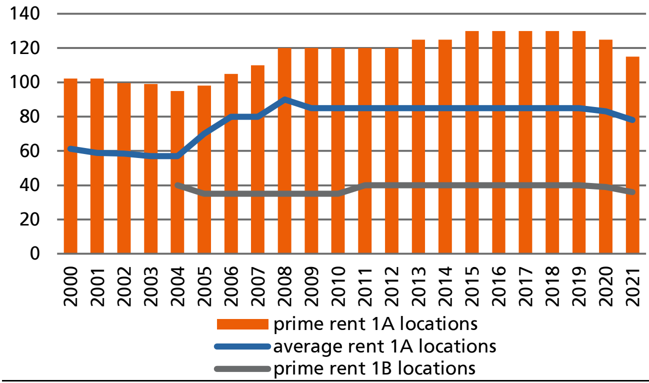
Retail space in Bremen

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

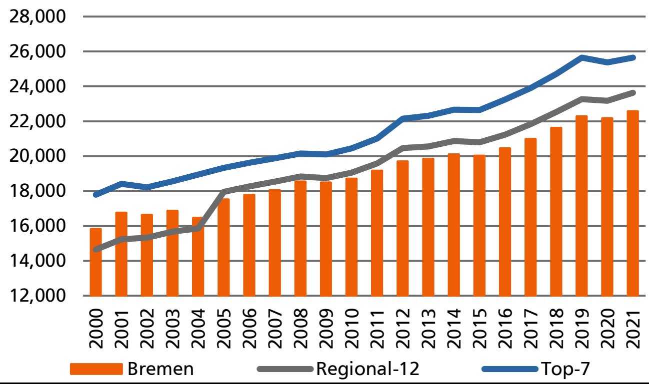


Source: bulwiengesa

Retail: The face of Bremen's city centre will change in the years ahead

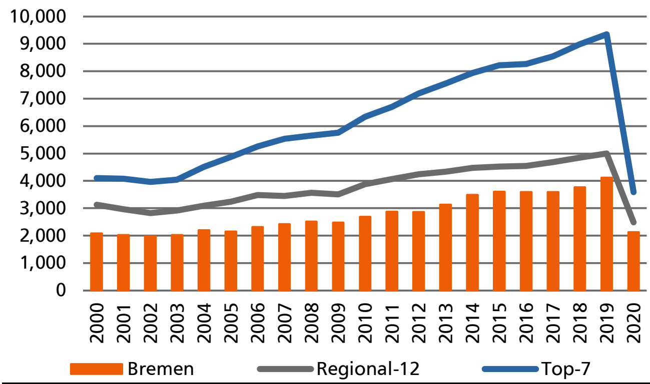
Given its potential as a location, retail activity in Bremen has been fairly slow to develop. The shopping destination in the North West benefits from a catchment area of more than 1 million people. However, purchasing power is weak at 92 points. Tourism in the attractive city centre showed a positive trend up to 2019, but the number of overnight stays remains low. Large out-of-town retail parks, particularly the Waterfront, the Roland-Center and the Weserpark, are having a negative impact on the city centre. This means that rents in the prime locations of Sögestraβe, Obernstraβe and Hutfilterstraße are more moderate than in Hannover, Münster and Nuremberg. However, Bremen city centre, whose covered passageways provide protection from bad weather, should not be underestimated. The downward rent trend which started pre-Covid has not continued, and the pandemic-related 11.5 per cent decline in prime rents to EUR 115 m² between 2019 and 2021 remained within limits. All the sales space in the former Galeria store was also quickly relet to one tenant - Opti-Wohnwelt. Conversely, apartments are to be built on the 16,500 m² of sales space on the Hanseatenhof vacated by C&A at the end of 2021. As part of the action programme for the city centre, vacant sites will be used for concept and pop-up stores. Two large projects could enhance the attractions of the city centre. The Parkhaus Mitte site close to the Lloyd-Passage is to be converted into a shopping mall which will include the Karstadt and Opti-Wohnwelt buildings. The Lloydhof will be replaced by a new mixed-use building – the "Lebendiges Haus". However, rents could weaken further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

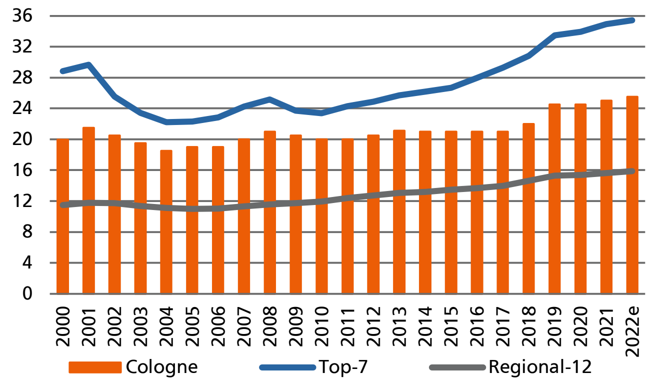


Source: bulwiengesa

COLOGNE

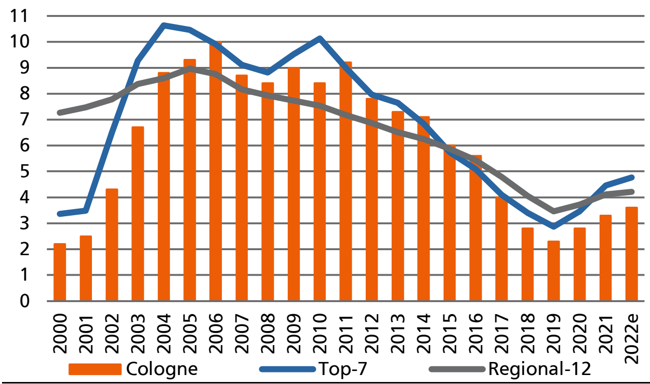
Office space in Cologne

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

VACANCY RATE (%)

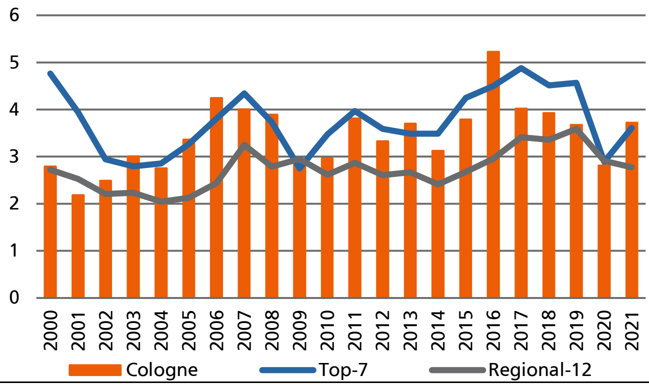


Source: bulwiengesa, DZ BANK forecast

Cologne office market has held up well during pandemic

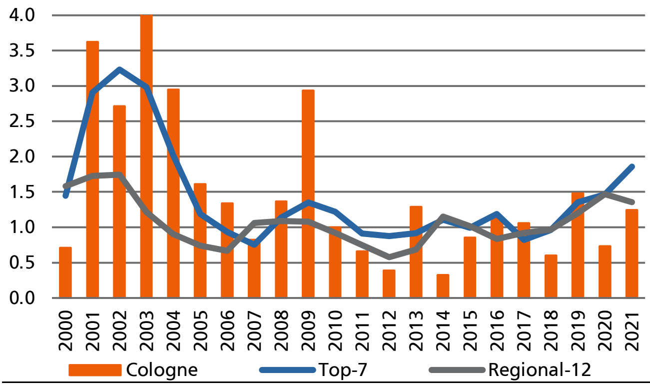
Although Cologne is Germany's fourth largest city in terms of population, its office market is only in sixth place with a stock of just over 8 million m². Likewise, prime rents (currently EUR 25 per m²), which saw a sharp rise in 2018 after a long period of stagnation, also rank sixth. Ten-year rental growth from 2011 to 2021 was a moderate 25 per cent. Annual take-up also puts Karlsruhe in sixth place with just over 300,000 m². Slightly weaker activity in the office market though is offset by a high degree of stability. This was an advantage during the pandemic. The fall in take-up in 2020 was relatively modest at around 20 per cent. It had already returned to its usual level in 2021 with a figure of 293,000 m², helped significantly by public administration bodies which accounted for almost 40 per cent of transactions. The three biggest deals – four were below the 10,000 m² mark – involved public-sector administration. Activity mainly came from the Institute for Federal Real Estate (BIMA). There was a slight increase in prime rents in 2021. Vacant space rose marginally in 2020 and 2021, but the vacancy rate remained low at 3.3 per cent. In view of a lack of contemporary space, eight of the ten biggest deals were pre-lets. Another uptick in vacant offices is likely in 2022 in view of a slightly higher volume of completions of around 130,000 m². Bearing in mind a solid trend and low vacancy rate, we would expect to see an increase in prime rents in the Cologne office market.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

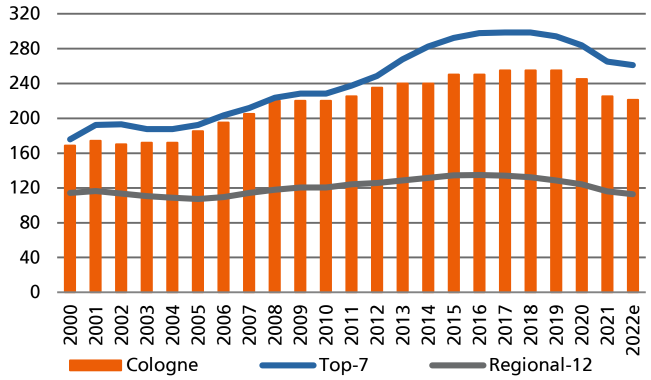
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

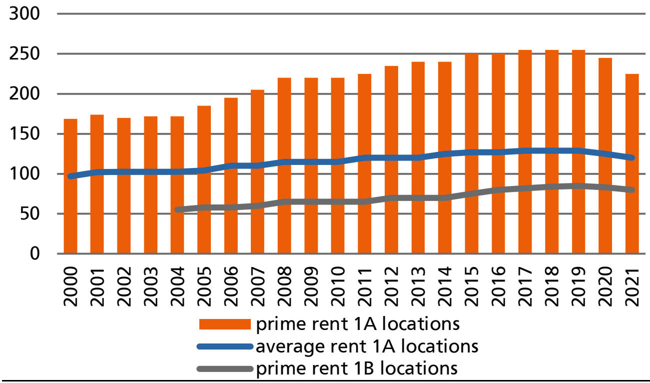
Retail space in Cologne

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

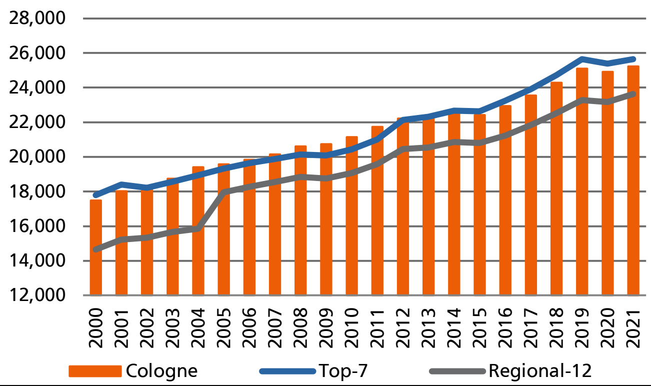


Source: bulwiengesa

Ample supply of retail space in the city centre has not lead to widespread empty stores during the pandemic

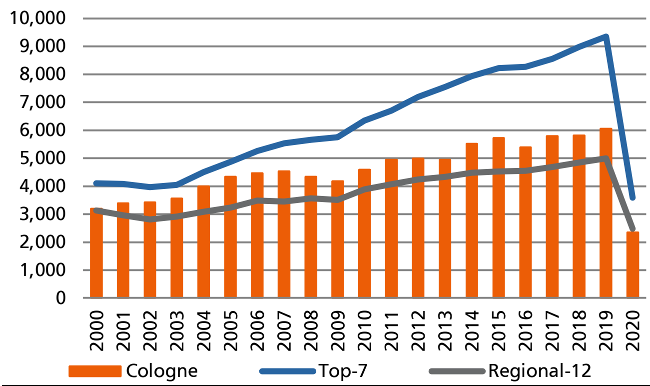
The million-strong city of Cologne is one of two top shopping destinations in western Germany along with Düsseldorf, which accounts for a degree of competition between the two. Cologne is attractive for retailers in view of potential from a 2.4 million-strong catchment area and many day-trippers from the Benelux countries. Even prior to the pandemic, tourism was not quite as important as it is for the other top locations. Purchasing power is also on the low side for a top location at 103 points. Unlike Düsseldorf with its extensive luxury segment, Cologne's city centre focuses on the mass market. It has a three-kilometre long shopping circuit which invites shoppers to stroll through the city's prime shopping locations and promotes a high footfall. This applies above all to the Schildergasse which is mostly given over to high-street chains. The Hohe Straße also enjoys a high footfall, although not quite on a par with the Schildergasse. In contrast, the Ehrenstraße is a more trendy location. A smaller luxury segment has gained a foothold around the Domkloster/ Wallraffplatz. The pandemic has also had a visible impact on Cologne's tow centre. Prime rents fell by 12 per centre to EUR 225 per m² in the period from 2019 to 2021. This is in line with the trend in other top locations. To that extent, an already relatively high supply of retail space in the city centre has not had an additional negative impact. This view is backed by a survey carried out by KölnBusiness at the end of 2021, according to which 5 per cent of stores stood empty, as in the previous year. The number of retailers fell by 6 per cent in 2021. In light of ongoing problems facing the retail sector, the decline in rent is set to continue in 2022, albeit at a slower pace.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

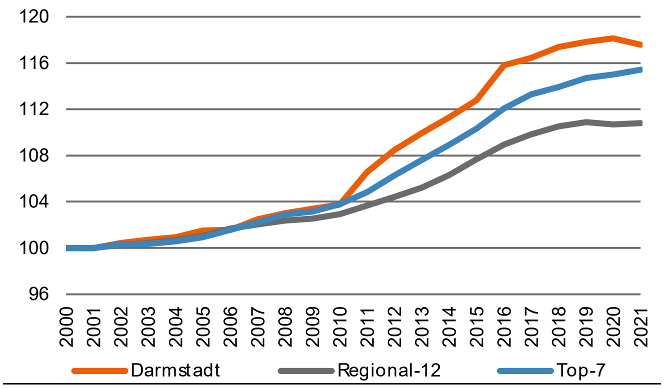
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

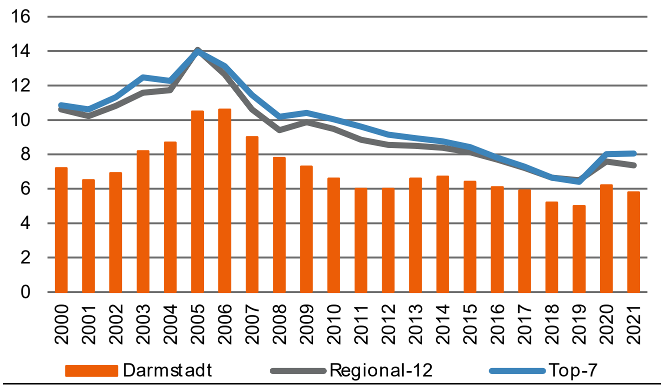
DARMSTADT

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

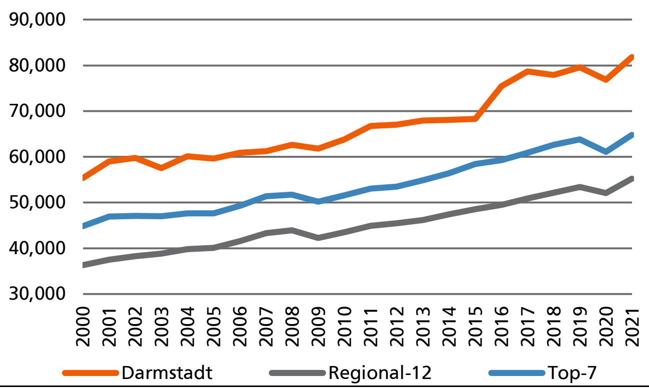


Source: bulwiengesa, BA (2021)

“City of Science” a rapidly growing business and research location

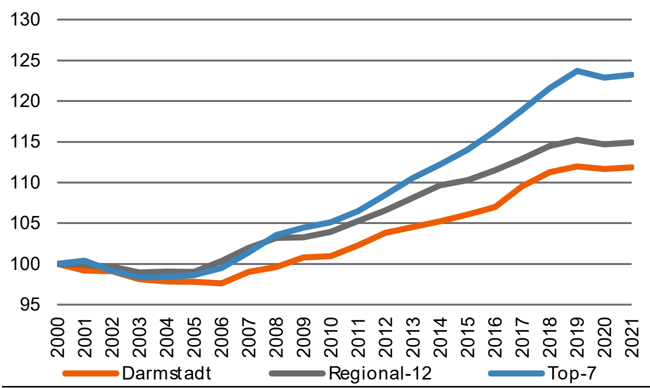
Darmstadt is one of the cities which shows particularly high growth. Within ten years its population has grown by 14 per cent to around 160,000. However, its population contracted slightly in 2020. Teaching and research play a very important role in the “City of Science” where more than 45,000 students attend several higher education institutions. Prominent research facilities include the European Space Operations Centre (ESOC) and the “FAIR” particle accelerator facility which is under construction. Benefiting from its location on the southern edge of the Rhine-Main region, Darmstadt is also a strong business location with a working population of nearly 140,000. Core sectors are IT, chemicals/pharmaceuticals/biotech, mechanical engineering, space technology and cosmetics. Important companies include Deutsche Telekom, the Merck chemicals and pharmaceuticals group, the Schenck mechanical engineering company, the specialty chemicals company Evonik/Röhm, and the cosmetics companies Goldwell/Kao and Wella. A large number of start-ups are based at the Technology and Innovation Centre of the University. High demand for housing and commercial space make Darmstadt a sought-after property location. Converted space following the withdrawal of the American forces provides scope for new urban districts such as the Lincoln residential scheme and the Ludwigshöhviertel on the site of the Cambrai Fritsch Barracks/Jefferson Village. However, housing is in short supply and residential rents are consequently nearly as high as in the top locations. The unemployment rate is moderate at 5.3 per cent (December 2021). Tourism could benefit from the addition of the Mathildenhöhe artists’ colony to the list of UNESCO World Heritage Sites.

GDP (IN EUR PER CAPITA)



Source: Scope

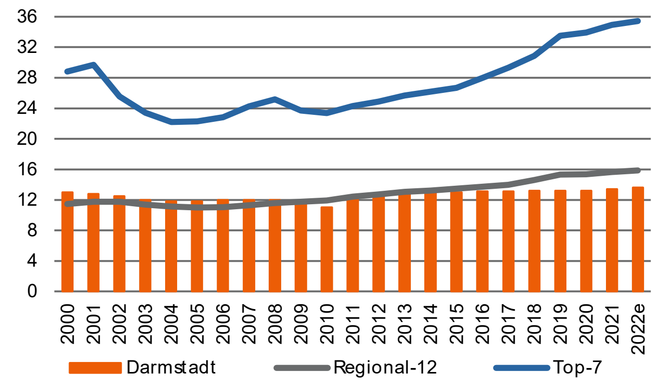
WORKING POPULATION (YEAR 2000 = 100)



Source: Scope

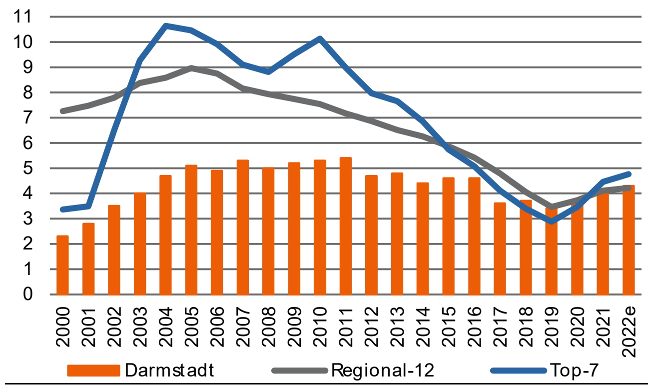
Office space in Darmstadt

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast Data for city centre locations

VACANCY RATE (%)

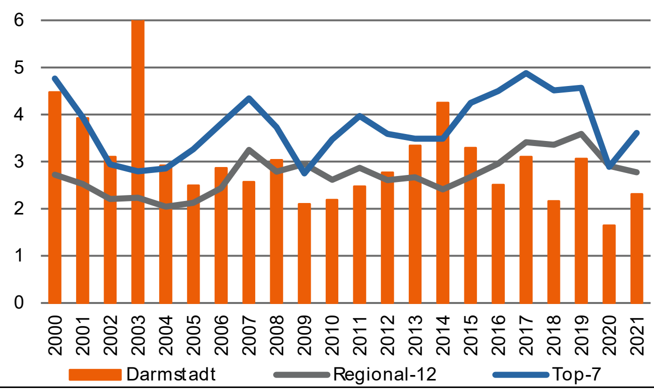


Source: bulwiengesa, DZ BANK forecast

Office: Relatively large office market with moderate vacancy rate and stable rent trend

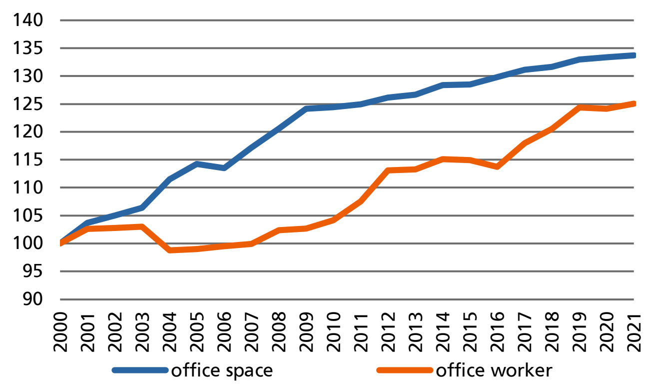
The high level of office employment in Darmstadt requires a correspondingly large office market. An office stock of more than 1.6 million m² is not therefore disproportionately large. Office employment has grown faster than office space and despite growth in space, the vacancy rate has therefore fallen. However, this has not significantly benefited prime office rents. They have increased, but only slowly. Despite the pandemic, they picked up in 2021. Prime city centre rents of EUR 13.40 per m² are being exceeded slightly in office locations such as the Europaviertel and TZ Rhein-Main at EUR 13.80 m². Rents are therefore one third of the level in Frankfurt which is 30 kilometres away. As in many other office markets, the vacancy rate has increased slightly during the Covid crisis, up from 3.4 per cent in 2019 to recently 4.1 per cent. The pandemic has had a greater impact on office market activity. Take-up – which almost halved to 27,000 m² in 2020 compared to the previous year – recovered again strongly in 2021 to 38,000 m². In contrast to 2020, when there no large-scale office contracts, two very large premises were let in 2021. Entega rented around 10,000 m², and exocad 8,000 m². The shortage of large, attractive space in the office stock is clear because all rental agreements in 2021 were for project developments in four-digit m² spaces. However, larger volumes of new space – which totalled only 13,500 m² in 2020 and 2021 – look set to be achieved again in 2022 and 2023. Prime rents and vacancy rates should essentially remain stable this year.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

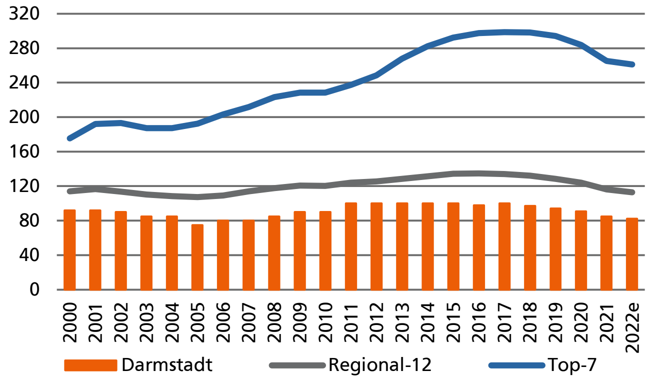
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

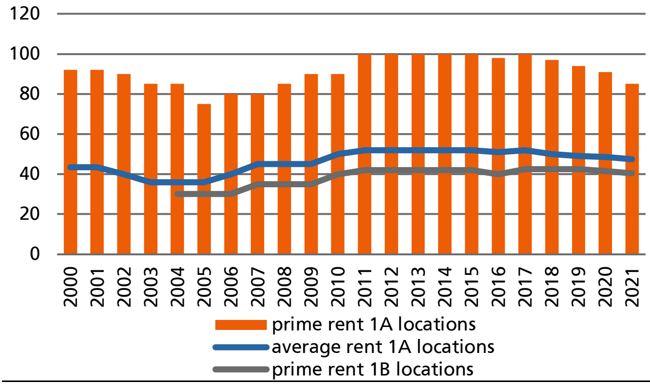
Retail space in Darmstadt

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

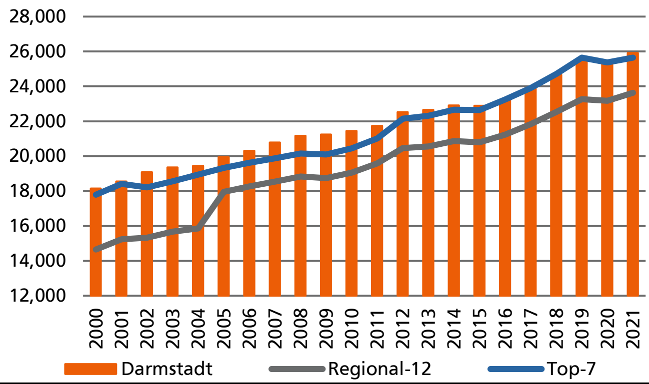


Source: bulwiengesa

Retail: Retail rents in Darmstadt have been falling since 2018

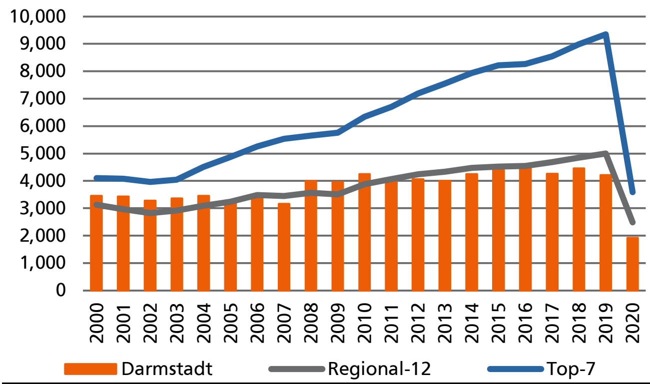
Conditions in the Darmstadt retail sector are generally good. Positive aspects are strong population growth, good employment levels and high purchasing power of 106 points for a student city. Until the onset of the pandemic, visitor numbers were also solid. Despite a large catchment area of around 650,000 people south of Darmstadt, the centrality figure of 107 points is weak due to competition from other shopping locations in the surrounding area. These include Frankfurt at a distance of 30 kilometres, and neighbouring Weiterstadt with its various specialist stores, the largest German branch of Decathlon and the Loop 5 shopping centre. As a consequence, between 2011 and 2016 rents decoupled from the upward trend in retail rents. Prime rents stagnated at EUR 100 per m². Conversely, the subsequent start of a downward rent trend also impacted on Darmstadt. Rents fell further during the Covid crisis, recently reaching EUR 85 per m². However, Darmstadt city centre is likely to absorb the structural shift in retail and the effects of the pandemic comparatively well. The city centre benefits from the prime locations of Schuchardstraβe and Ernst-Ludwig-Straße, two shopping centres – Luisencenter and Carree Darmstadt – and a wide range of cafés and restaurants. The city is also growing, which should boost customer potential further in future. The decline in demand for sales space due to online shopping could nevertheless cause rents to fall further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

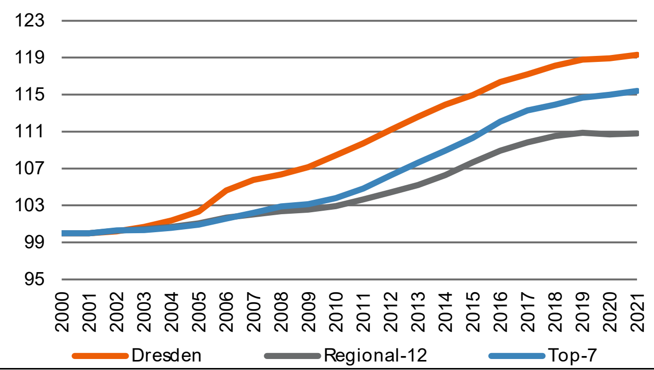
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa

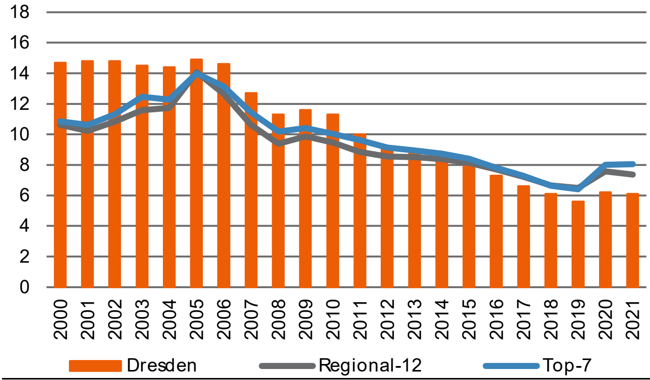
DRESDEN

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

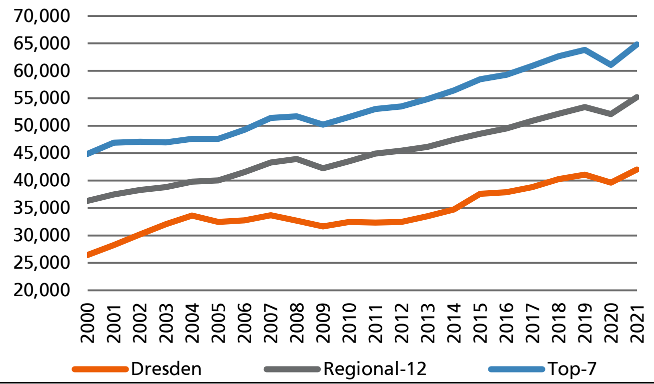


Source: bulwiengesa, BA (2021)

Regional capital of Saxony now an important microelectronics location

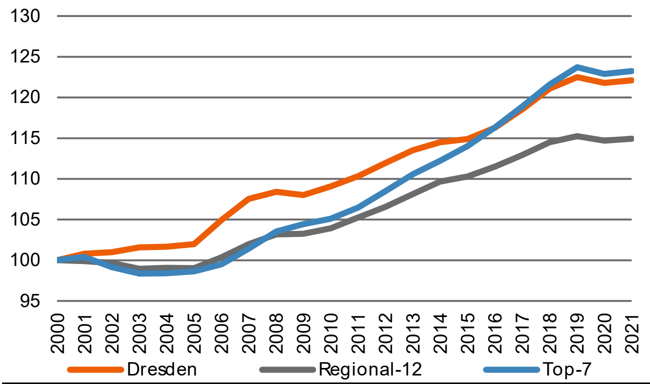
Dresden, with a population of nearly 560,000, is the regional capital of the federal state of Saxony, and the third largest city in eastern Germany; it ranks 12th throughout Germany as a whole. Population growth has been strong, at 10 per cent over ten years, but lags slightly behind Leipzig. Ongoing migration is supported by a high quality of life and the sustained economic success of this attractive city. High unemployment is now a thing of the past. During the Covid crisis, the unemployment rate rose temporarily to more than six per cent before falling back to 5.4 per cent by December 2021. However, the continuing upturn has also largely eroded the advantage of an affordable cost of living due to relatively low residential rents. Given the many administrative functions which are based there, the public sector is an important employer. Education and research play a preeminent role. Higher education institutions with a total of nearly 45,000 students and a large number of research facilities not only create many jobs, but also form the basis of "Silicon Saxony", Dresden's high tech location. Around 50,000 people are employed in the microelectronics cluster. A third of microchips produced in the EU come from the city in Saxony. Vehicle construction, aviation, life sciences, nanotechnology/new materials, mechanical engineering and plant construction also contribute to the city's dynamic economic development. The cultural and creative sectors are also important. The baroque city with its art treasures has also become a city tourism hotspot, with nearly 5 million overnight stays each year before the pandemic.

GDP (IN EUR PER CAPITA)



Source: Scope

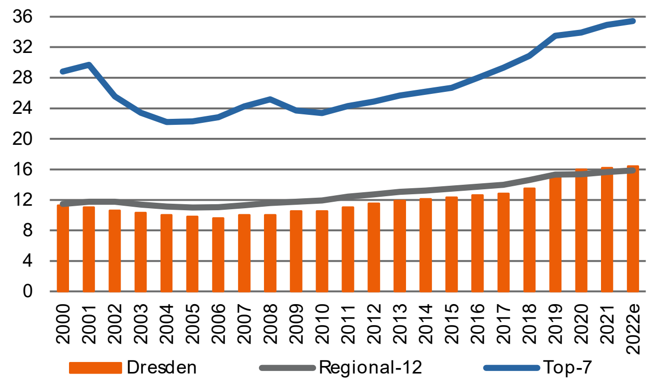
WORKING POPULATION (YEAR 2000 = 100)



Source: Scope

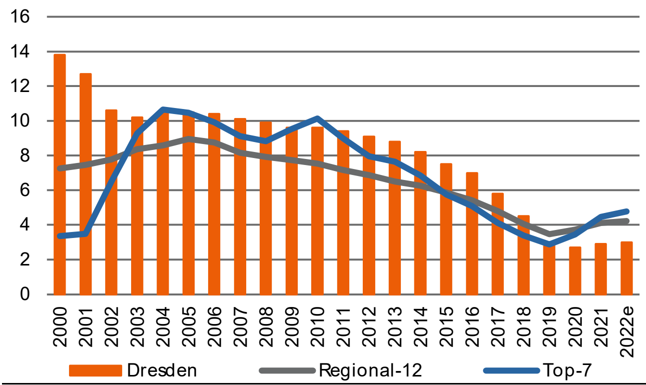
Office space in Dresden

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast Data for city centre locations

VACANCY RATE (%)

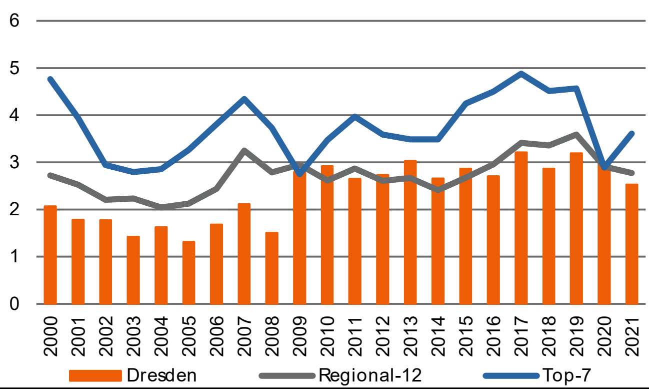


Source: bulwiengesa, DZ BANK forecast

Office: Previous excess supply of office space completely absorbed in ongoing upturn

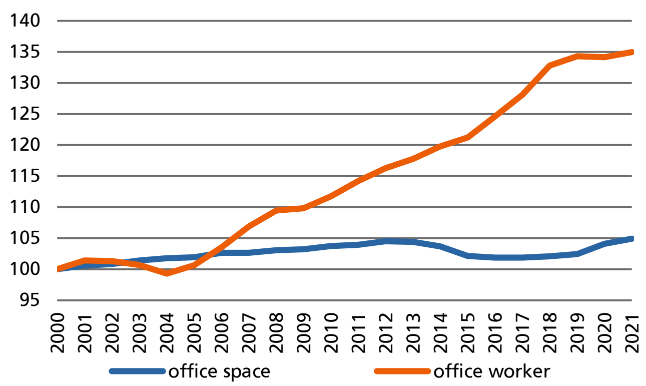
With 3 million m² of office space, Dresden has the second largest office market in eastern Germany. After excessive growth in office space in the 1990s, the office stock has remained largely constant in the last 20 years. Conversely, the economic recovery has led to a substantial increase of nearly 30,000 office jobs in the same period. This has resulted in a marked decline in the vacancy rate from more than 16 per cent to recently less than 3 per cent. Despite the pandemic, the vacancy rate is low. Given growing demand for attractive office space, the volume of new space increased again slightly in 2020 for the first time in 20 years. As a result of the ongoing space shortage and the scarcity of attractive office space, prime rents increased again even during the pandemic and recently reached EUR 16.20 per m² in city centre locations. The ten-year rent increase of nearly 50 per cent – on a par with Leipzig – is thus nearly twice the average level for the regional centres reviewed. Since 2009, annual take-up has consistently ranged from 80,000 to 95,000 m². On this basis, office market activity during the pandemic has been within normal parameters. While 2020 levels were still boosted by one extremely large contract, the biggest contract last year – the tenant was the federal state of Saxony – was mid-range at 5,000 m². This year and next year, cumulative new space could reach around 110,000 m². Modern office space will therefore remain in short supply. The vacancy rate and prime rents should remain largely stable in 2022.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

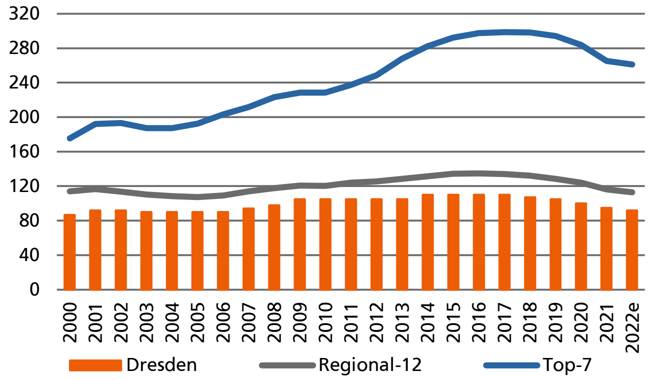
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: bulwiengesa, Scope

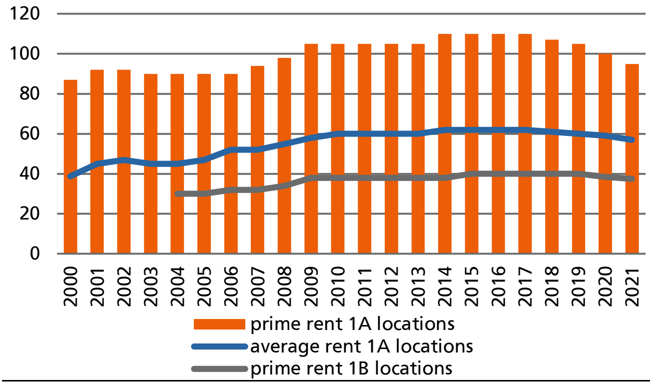
Retail space in Dresden

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

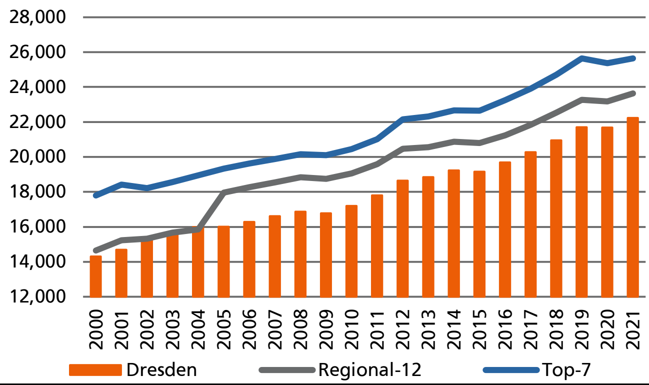


Source: bulwiengesa

Retail: City centre retail hit by absence of tourism

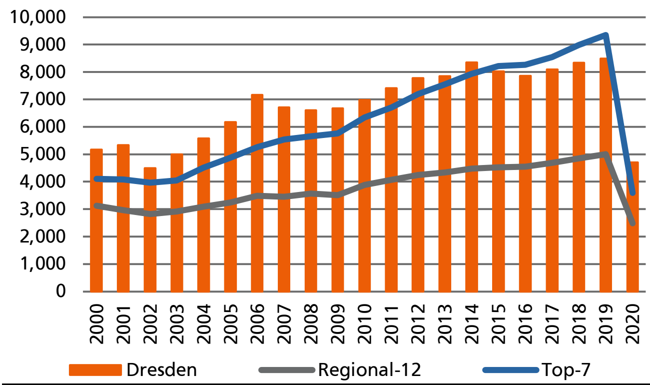
Dresden, together with Berlin and Leipzig, is one of the trio of leading shopping destinations in eastern Germany. The general retail climate in all three locations has shown a sustained improvement as a result of the economic recovery, population growth and flourishing tourism before the pandemic. However, another feature which they share is low purchasing power. Dresden benefits from a catchment area of 1.3 million people, although its centrality figure is not overly high at 111 points. The main competition is from out-of-town shopping centres. Overall, the baroque city is however an attractive retail location with a high quality of stay and a broad range of retail, and cafes and restaurants. In addition to three prime locations – Prager Straße, Seestraße/Altmarkt and Neumarkt – there are two large shopping centres with combined sales space of 100,000 m². Because tourism is very important, city centre retail in Dresden is suffering more than other locations from the absence of visitors. On this basis, the EUR 10 decline in prime rents to EUR 95 per m² between 2019 and 2021 is moderate. However, given the many vacant shops – nearly a fifth in summer 2021 – the retail crisis has clearly left its mark on the city centre. However, e-commerce and the pandemic are not the only factors here. An outmoded retail concept and insufficient parking are obstacles for city centre retail. The concerns faced by the retail sector are therefore unlikely to disappear completely when tourism makes a large contribution to retail sales again. Prime rents could decline again this year as a result of the vacancy rate and ongoing pandemic-related uncertainty.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

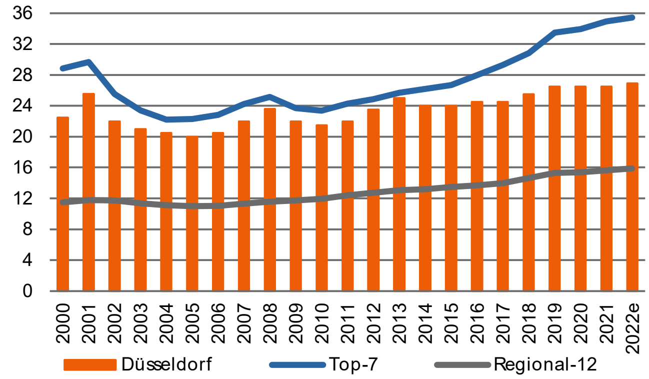


Source: bulwiengesa

DÜSSELDORF

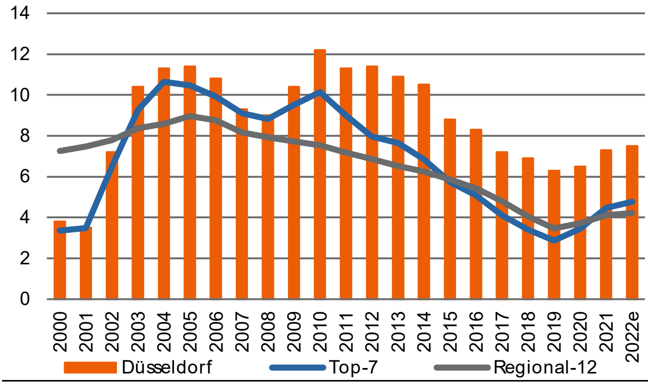
Office space in Düsseldorf

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast data for city centre locations

VACANCY RATE (%)

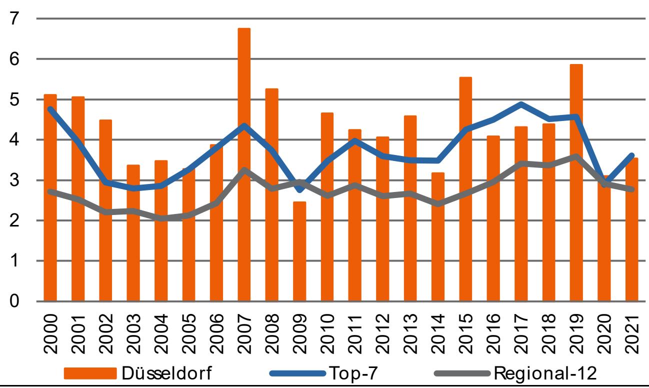


Source: bulwiengesa, DZ BANK forecast

Office: Prime rents stable despite visible slowing of office market activity

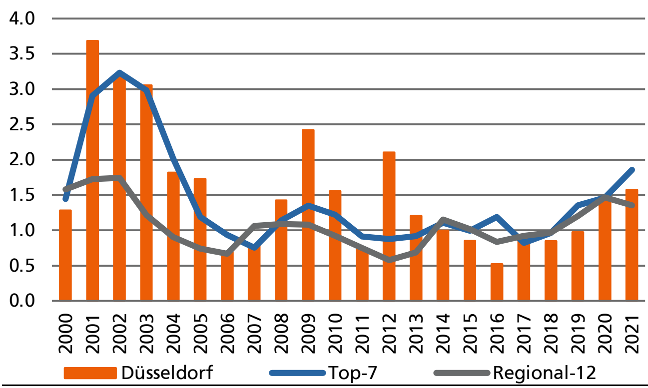
With 7.8 million m² of office space, Düsseldorf is the smallest office market among the top locations. However, the divergence from Cologne and Stuttgart is small. The pandemic has not had an adverse effect on office rents in Düsseldorf. Rent levels have remained stable since the end of 2019, although rental business has clearly weakened. Take-up of 275,000 m² was nearly 40 per cent lower than the already fairly high pre-pandemic level of 2019. Although there were only two five-digit rental agreements in 2021 - around 23,000 m² combined for BIMA and Alltours – this is only part of the reason for the market weakness. The situation could improve again in 2022. One indication of this is a large agreement for 25,000 m² for AOK. Eight of the ten largest rental agreements in 2021 were for new office space – another sign that contemporary office space is also in short supply in Düsseldorf despite an increase in the vacancy rate. As in the other top locations, the volume of vacant office space has grown. However, the increase from 6.3 per cent (2019) to recently 7.3 per cent can be regarded as moderate. The availability of new space, which was significantly higher than previous years in 2020 (110,000 m²) and 2021 (122,000 m²), has contributed to the growth in the vacancy rate. New office space is also likely to be higher than usual in 2022 and 2023. Although this will improve the supply of attractive office space, the vacancy rate could increase again slightly. Rents could certainly increase this year if office market activity picks up strongly.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

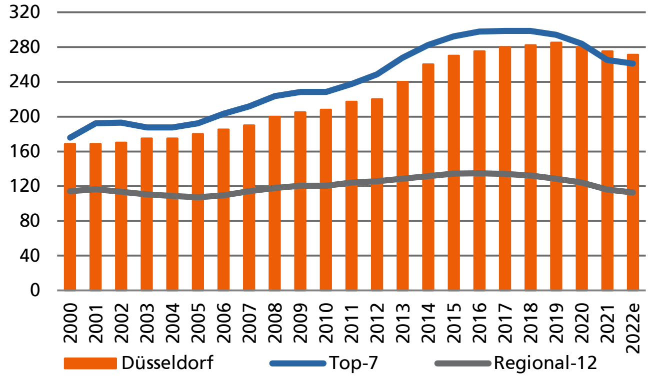
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

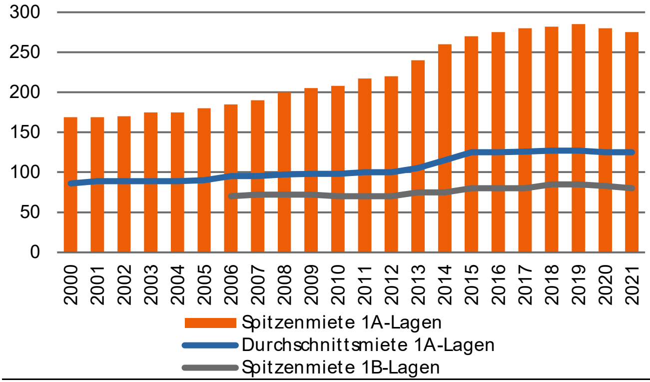
Retail space in Düsseldorf

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

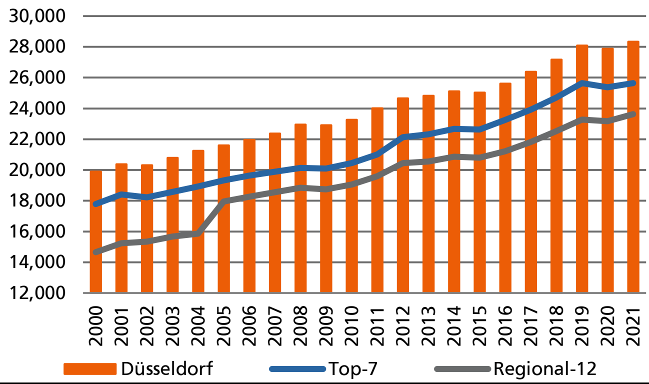


Source: bulwiengesa

Düsseldorf city centre shows resilience in the pandemic

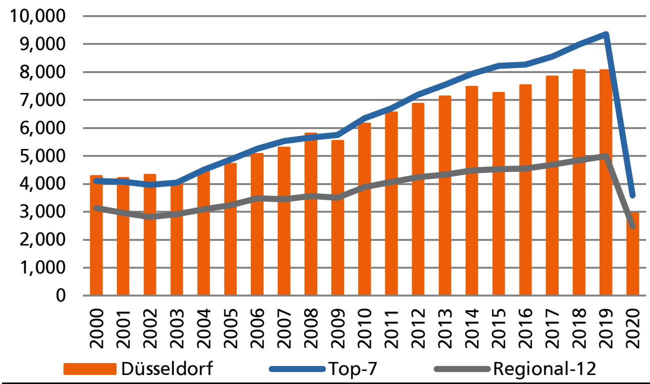
The shopping location of Düsseldorf has clearly developed positively. The city centre has become significantly more attractive due to numerous urban development measures, large infrastructure projects and substantial investment in new and existing retail properties. Although not all the construction projects have been completed, efforts have obviously paid off. As is the case everywhere, the Düsseldorf retail sector has suffered from Covid restrictions, but the negative impact on rental business has been less serious than in other top locations. Prime rents have largely remained stable, having declined only marginally. The retail location benefits from a catchment area of 2 million people and high purchasing power which is almost 20 per cent higher than the German average. Thanks to the famous Kö shopping boulevard, which is synonymous with fashion and luxury, Düsseldorf city centre enjoys a high profile far beyond the borders of North Rhine-Westphalia. Prime central shopping locations include the Königsallee, Flingerstraße and the area around Schadowstraße. Iconic retail developments such as the Kö-Bogen and the KII have also been added in previous years. The Kö Galerie shopping mall has also been completely renovated. The opening of a branch of the Berlin department store KaDeWe in Carschhaus will undoubtedly be another highlight in 2023. The economic consequences of the pandemic and online shopping could also nevertheless reduce prime rents in Düsseldorf further.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

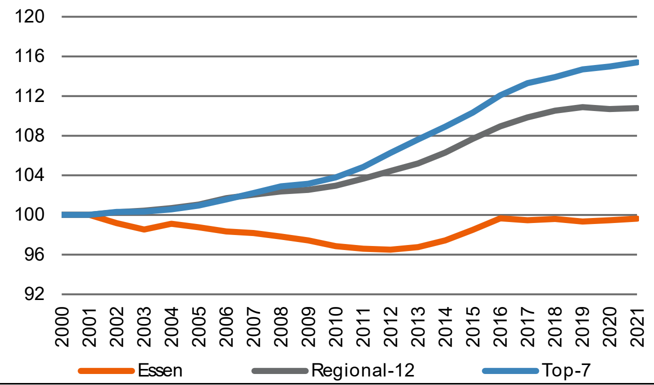
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

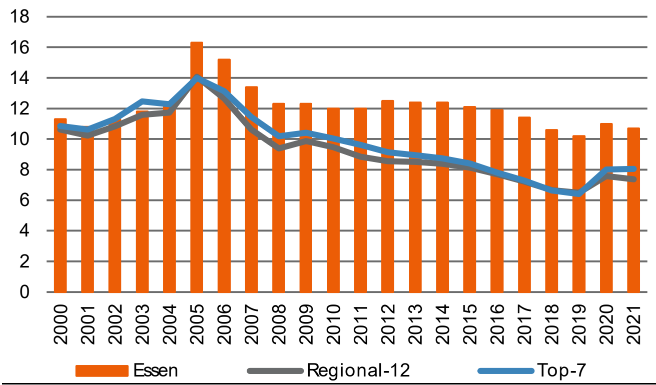
ESSEN

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

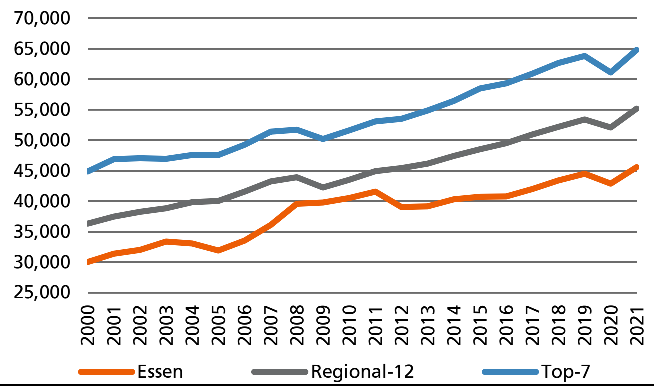


Source: bulwiengesa, BA (2021)

Upturn in Essen: number of inhabitants has stabilised, unemployment down to 10 per cent

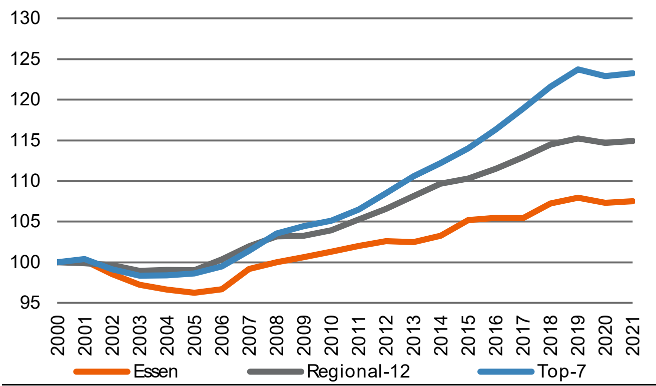
Essen is an important business centre in the Ruhr region. However, the structural change which followed the crisis in the coal and steel industry has left visible marks on population figures. Whereas Essen was once the fourth largest city in Germany, it is now down in tenth place. After losing around 150,000 inhabitants, though, the exodus has now come to an end and the population is stable at slightly over 580,000. Although in economic terms, the transformation into a service centre has had a positive impact, the labour market has benefited less from this than has been the case in other centres. Employment has only risen moderately, while unemployment is high in spite of clear progress since 2017 on this front. After a Covid-led uptick in the rate, it had fallen to 9.9 per cent in December 2021m which is low for Essen. The city's economic focus has moved from industrial production towards administration. Essen is home to many prominent names, including three DAX groups (Brenntag, E.ON and RWE) and two MDAX groups (Evonik and ThyssenKrupp). Other major companies are Aldi-Nord, Deichmann, E.ON-Ruhrgas, Funke Mediengruppe, Hochtief, Innogy, Medion, Schenker and STEAG. Trade fairs are another important earner for the local economy. The University of Duisburg-Essen which replaces the former Gesamthochschule founded in 1972 has also had a positive impact on the city. Over 33,000 students are enrolled at Essen's higher education institutions. The city has good transport links in view of its central location in the Ruhr region. Düsseldorf Airport is only 30 kilometres away.

GDP (IN EUR PER CAPITA)



Source: Scope

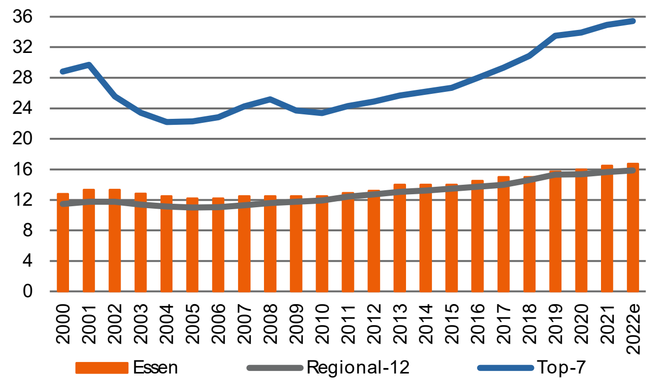
WORKING POPULATION (2000 = 100)



Source: Scope

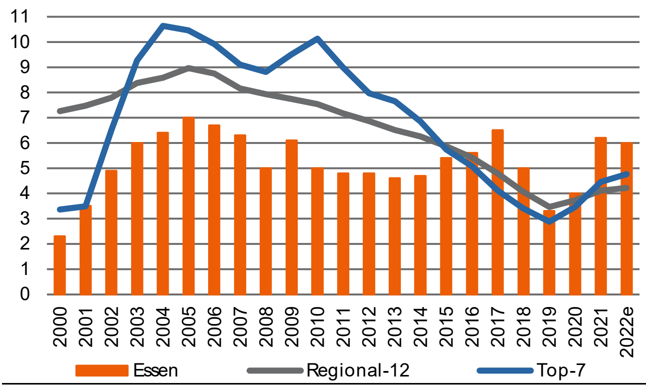
Office space in Essen

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

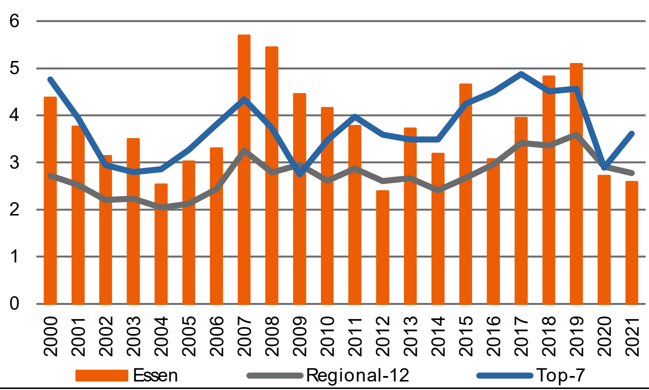


Source: bulwiengesa, DZ BANK forecast

No major transactions during the pandemic for leading office centre in the Ruhr area

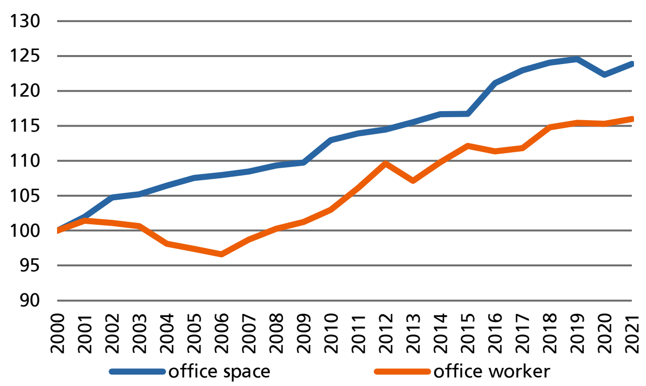
Essen is the leading office location in the Ruhr area, being home to many company head offices. The city has 3.2 million m² of office space and, apart from the top locations, only Hannover, Nuremberg and Bonn have a larger office stock. The office market was doing very well prior to Covid, with average annual take-up of almost 150,000 m² in the period from 2017 to 2019. At the same time, the vacancy rate had fallen to a low of 3.3 per cent by 2019, while prime rents were up to almost EUR 16 per m². However, activity eased up noticeably with the pandemic. After falling to 85,000 m² in 2020, take-up could not recover in 2021 either, falling further to 82,000 m². Above all, there were no big transactions. Contrary to the usual trend, no deal in 2021 reached five figures; the biggest, involving Vonovia was for 8,300 m². In addition, the vacancy rate rose sharply to just over 6 per cent. However these figures obscure the fact that interest in the Essen office market is undimmed; at present, it is merely concentrated on smaller to medium-sized spaces − a fact reflected in a further rise in prime rents in 2020 and 2021. They have now reached a high for Essen of EUR 16.50 per m². Ten-year rental growth of 28 per cent is largely in line with the average for the regional centres under consideration. The volume of completions this year and next year is expected to be of the usual order of magnitude. In spite of an increase in the vacancy rate, there is little available modern office space on the market. Prime rents are likely at best to rise marginally in view of the latest increase.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

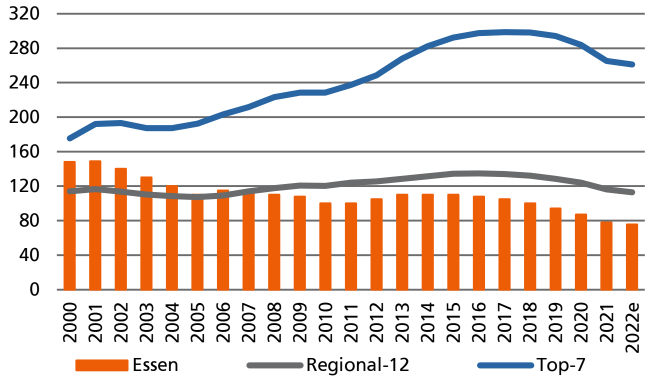
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

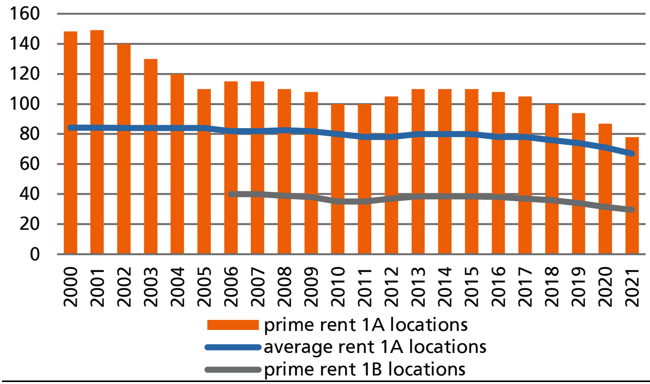
Retail space in Essen

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

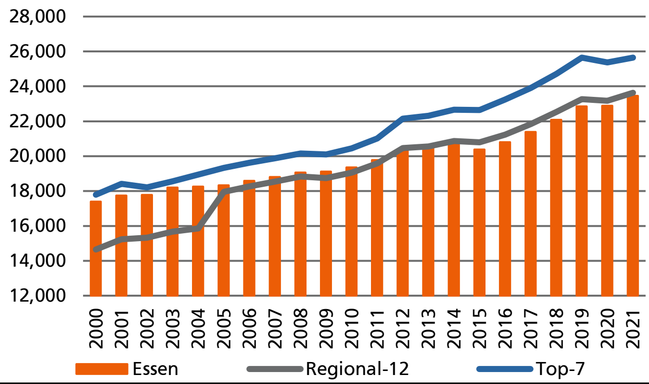


Source: bulwiengesa

Fall in rents has continued at high pace

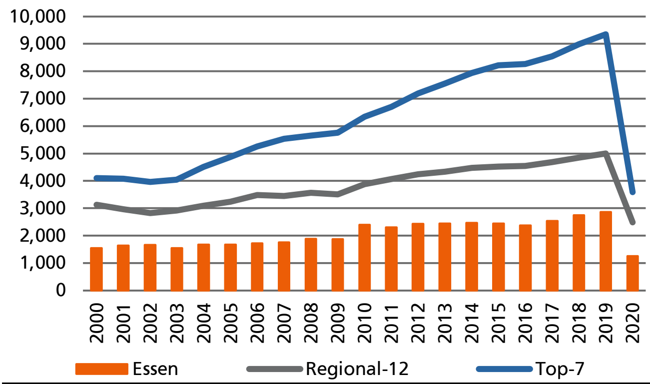
Essen has lost its sparkle as a go-to shopping destination. Unlike office rents which have risen in spite of the pandemic, the downturn in retail rents has continued at a high pace. Prime rents fell by almost 30 per cent to EUR 78 per m² from 2015 to 2021, and have more than halved since the 1990s. One persistent dampening factor apart from booming online shopping is ongoing competition from neighbouring shopping destinations such as Düsseldorf and Dortmund or the huge Westfield CentrO in Oberhausen which depletes customer potential from the 1.4 million-strong catchment area. The city's retail sector has also been hit by high unemployment and the population drain. A weak economy has led to below-average purchasing power of 96 points. Even a more attractive city centre has failed to halt the downtrend in the last few years. The city centre's appeal was boosted by the opening of the shopping mall on the Limbecker Platz in 2009, followed in 2010 by the revamp of the RATHAUS GALERIE and the remodelling of the Haus am Kettwiger Tor in 2013. As a result, Essen's city centre now has three modern shopping malls in addition to its prime shopping miles − the Limbecker and Kettwiger Straße. Based on current demand, there is too much retail space. The Kettwiger and above all the Limbecker Straße are struggling with substantial vacancy rates. In response to this, the city authorities are renting empty stores in order to inject new life into the city centre with new retail concepts. In the long run, though, the city centre will need a new concept. Prime rents are likely to come down further this year. One positive factor is the transformation of the former Kaufhof store (closed in 2020) into the mix-use Königshof.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

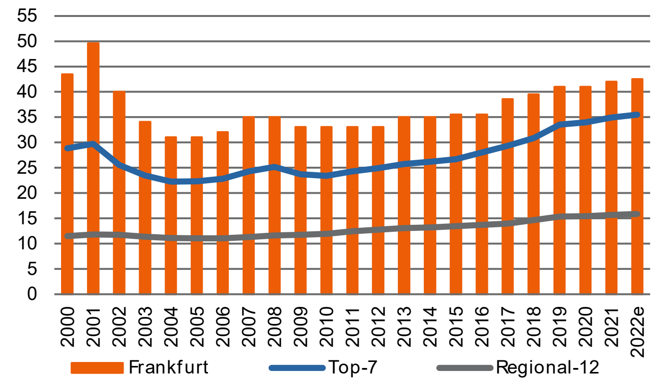


Source: bulwiengesa

FRANKFURT

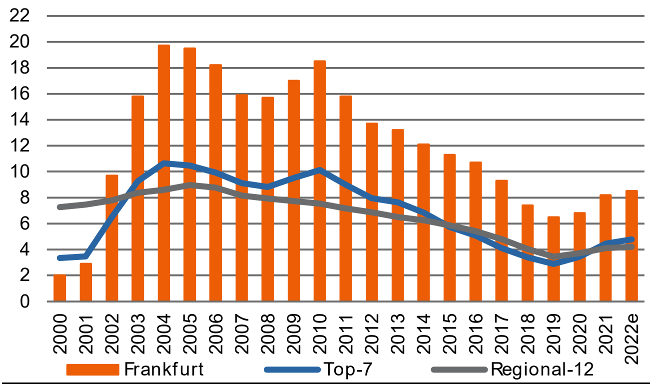
Office space in Frankfurt

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

VACANCY RATE (%)

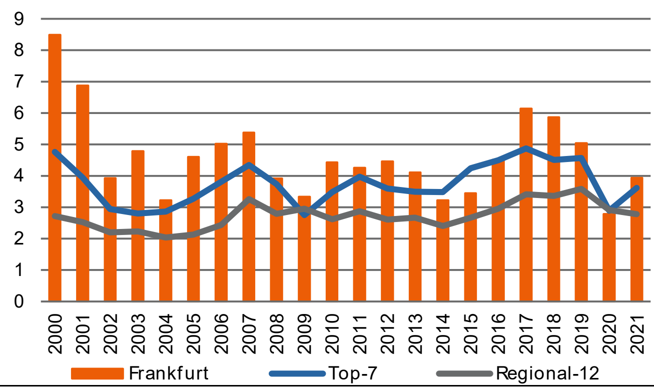


Source: bulwiengesa, DZ BANK forecast

New towers to be added to Frankfurt's skyline in the next few years

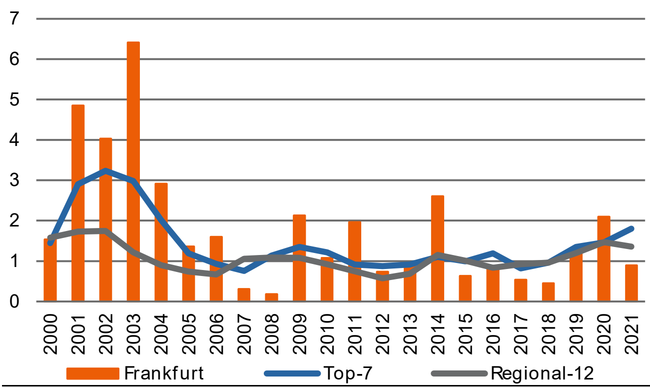
Frankfurt has been the only office market to hold onto prime rents of over EUR 40 per m² during the pandemic. The figure rose to EUR 42 per m² in 2021 in spite of a fairly marked slowdown in letting activity. After a slump in take-up of almost 50 per cent year-on-year in 2020, the office market staged a solid recovery in 2021 with a figure of 400,000 m². As such, however, take-up is still noticeably below former levels, which averaged 575,000 m² from 2017 to 2019. More large transactions would be needed for a better result. There were only two lettings in the five-digit m² bracket in 2021 – to Siemens and Nestlé. The market was driven by smaller and medium-sized transactions − often involving public bodies. In spite of quite a high vacancy rate of 8.2 per cent, contemporary office space is in short supply. Many of the larger deals are pre-lets for new office space which is not expected to be completed until 2024. An upturn in new building since 2019 is leading to a slight improvement in supply. A completion volume totalling around 300,000 m² is expected in 2022 and 2023, which means that a further uptick in the vacancy rate is possible. Prime rents are likely to increase at best marginally in 2022. Frankfurt's Skyline is getting new additions such as the Ensemble FOUR. The project includes the 233-high T1 tower which sold for around EUR 1.4bn in 2021, making it Germany's most expensive building

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

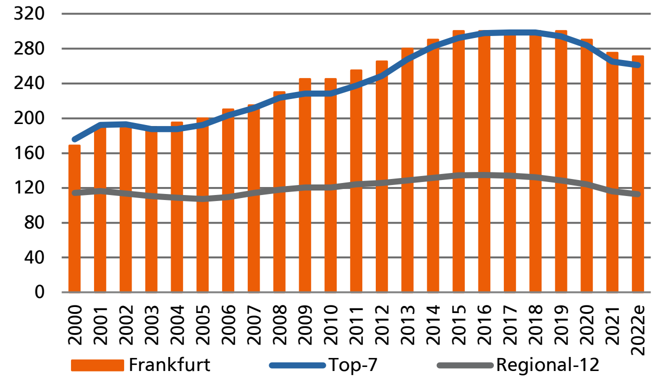
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

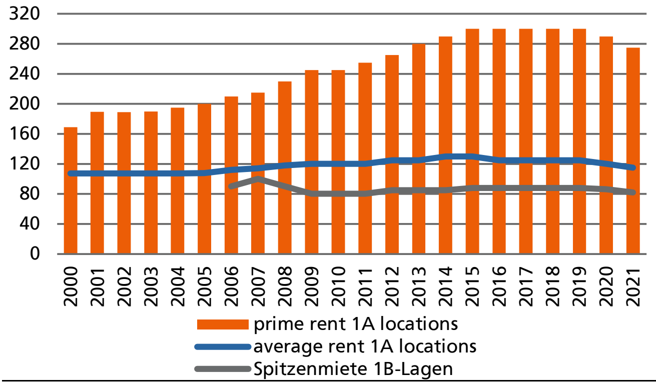
Retail space in Frankfurt

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

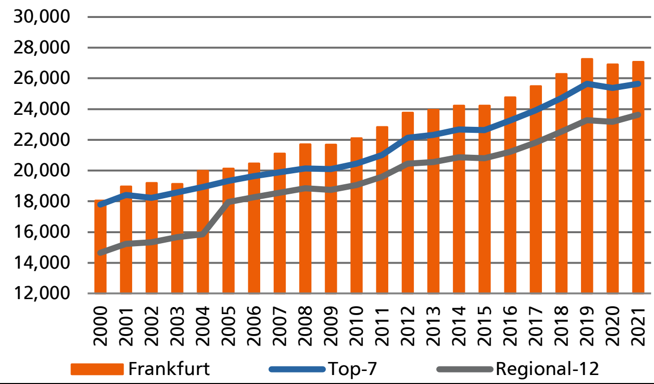


Source: bulwiengesa

Frankfurt hit hard by sharp fall in usually large number of visitors

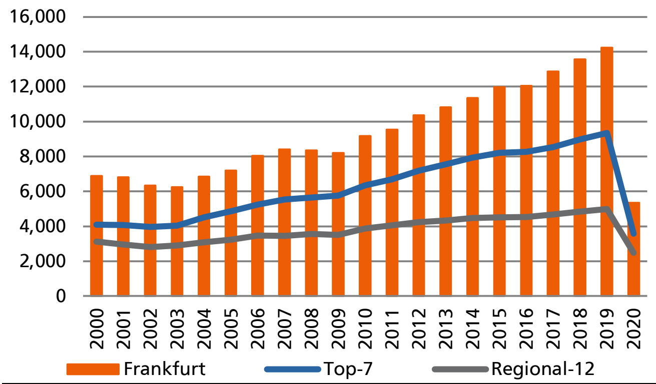
The Frankfurt conurbation has undergone strong growth in the last few years. The city's retail sector has a total catchment area of around 2.5 million people. The region also has a high purchasing power. Another factor which buoyed Frankfurt's retail sector prior to the pandemic was a very high number of visitors. The city counted over 14,000 overnight stays per 1,000 inhabitants in 2019 − 50 per cent more than the top location average. Apart from the many visitors to trade fairs and congresses, Frankfurt Airport used to bring many tourists from Asia and the city centre was geared up to catering for this customer group. However, Asian tourists remain almost totally absent at present because of the pandemic. Clearly therefore, a recovery in tourism will be hugely important for the retail sector. The trade fair business above all could be permanently weakened, not least after the loss of the IAA to Munich. Nonetheless, Frankfurt remains a strong retail destination with two prime shopping miles, the Zeil and Goethestraße, along with several large shopping centres. This view is backed up by a fairly moderate fall in prime rents of around 8 per cent to EUR 275 per m² at present, in spite of all the difficulties. One plus point is that the city authorities intend to be actively involved in the development of the city centre. This includes a plan to move the city library to the Zeil. However, the retail sector is also making a contribution. While remaining open for business, the Kaufhof store (now Galeria) at the entrance of the Zeil is undergoing a complete remodelling and upgrade to turn it into a "world city store". Nonetheless, prime rents are still likely to dip further, even in Frankfurt's city centre.

PURCHASING POWER (IN EUR PER CAPITA)



Source: JLL

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

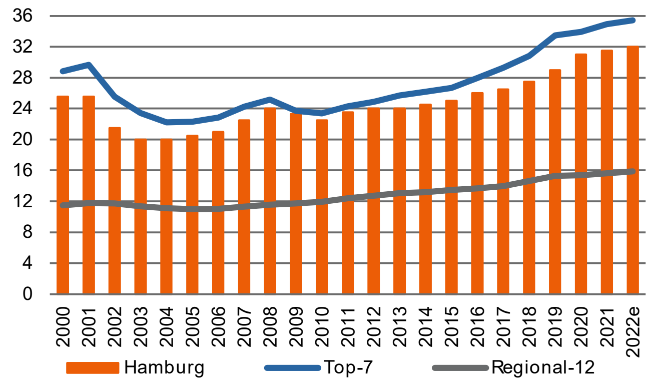


Source: bulwiengesa, Scope

HAMBURG

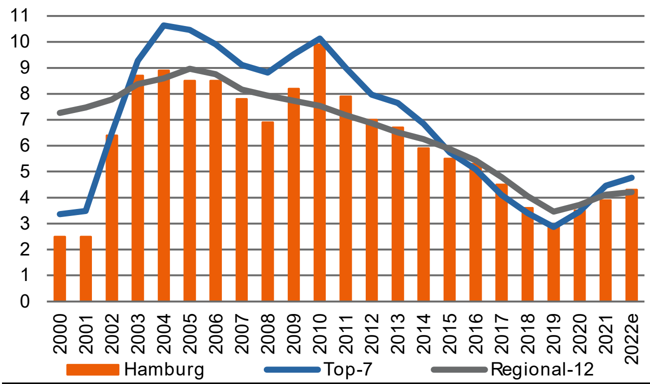
Office space in Hamburg

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

VACANCY RATE (%)

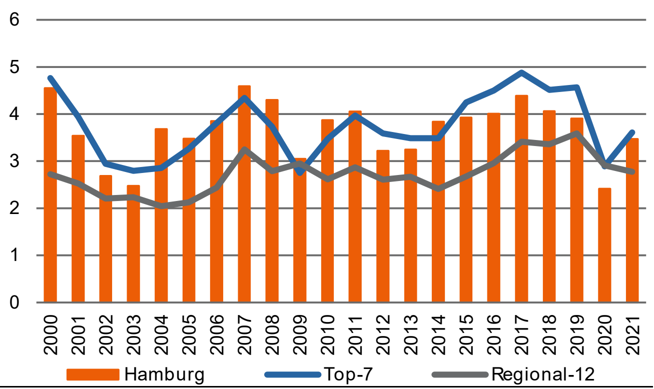


Source: bulwiengesa, DZ BANK forecast

Solid market: letting activity in Hamburg already picked up again in 2021

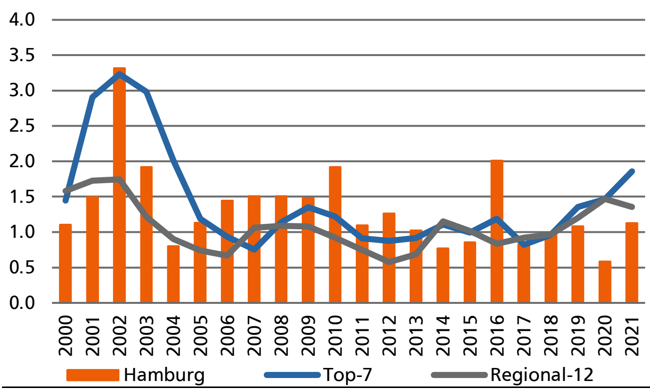
After Berlin, the Hamburg and Munich office markets are virtually neck and neck at around 14 million m² respectively. Although Munich is in the lead in terms of prime rents, rental growth in Hamburg has still kept up. Prime rents rose by 34 per cent to EUR 31.50 per m² in northern Germany's largest office market during the period from 2011 to 2021. At the same time, the vacancy rate had fallen to 2.9 per cent by 2019. It rose by a moderate one percentage point in 2020 and 2021. After a Covid-let slump of almost 40 per cent in letting activity in 2020, there was a marked recovery last year. At 485,000 m², take-up in 2021 was only marginally down on pre-pandemic levels. This was helped by seven five-figure (m²) deals which accounted for one-fifth of the space let. Berenberg Bank is the client behind the largest transaction. Six major deals were pre-lets. A rise in demand meant that there was no further rise in the vacancy rate in the second half and prime rents rose slightly. In the next two years, however, the vacancy rate could increase on the back of an estimated completion pipeline totalling around 500,000 m². There could be a further uptick in prime rents if the market trend remains upbeat. The HafenCity's Elbtower project, combining hotel and office space will bring a new landmark to Hamburg's skyline by 2025.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

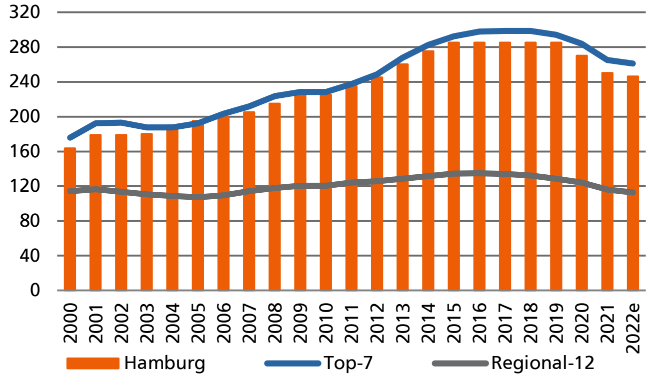
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

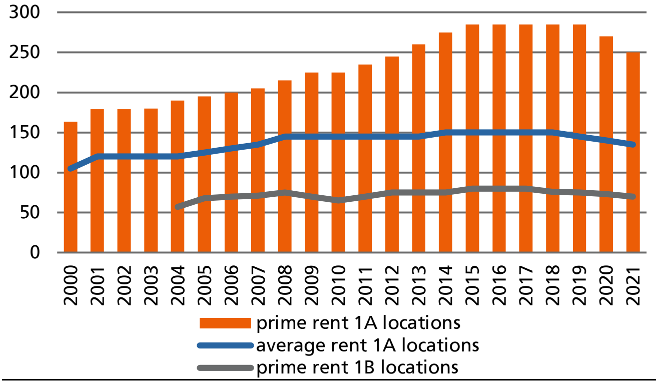
Retail space in Hamburg

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

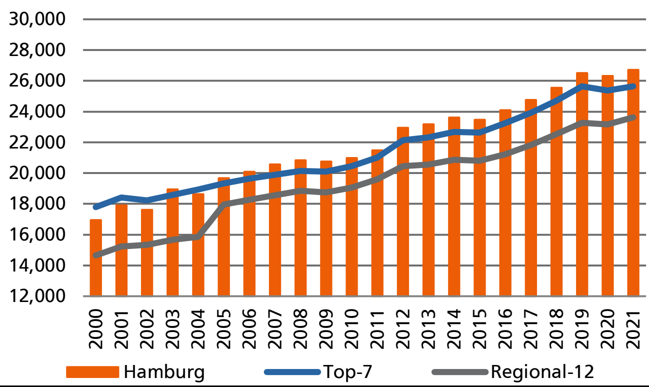


Source: bulwiengesa

Mönckebergstraße − Hamburg's main shopping mile − must reinvent itself

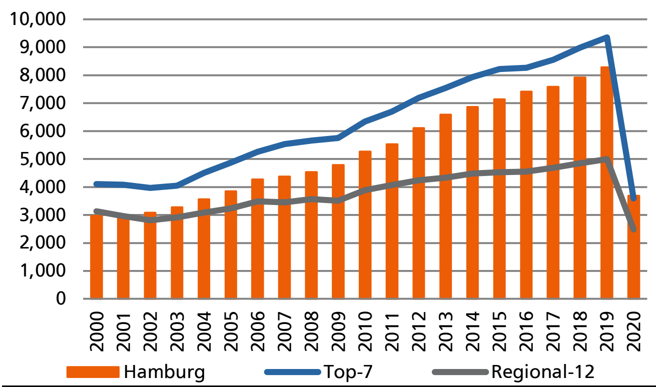
Hamburg scores as the leading shopping destination in northern Germany with a catchment area of 3.5 million people, strong population growth and high purchasing power. In normal circumstances, tourists and cruise ship passengers are an important consumer group. What makes Hamburg's city centre attractive from the point of view of customers, is the broad spectrum of shops it offers, ranging from conventional high-street locations such as the Spitalerstraße and Mönckebergstraße all the way to the luxury end of the market in the Neuer Wall. In between the two, there is the Europa Passage, the only large city-centre shopping mall. The pandemic has hit Hamburg's city centre retail sector hard, leading to a large number of vacant stores. By 2021, prime rents had fallen 12 per cent to EUR 250 per m² against 2019. In order to bring about a noticeable reduction in the number of empty stores, the senate has launched an "Empty Space" promotion programme to enable creative and start-up businesses to rent unused space temporarily. Unfortunately, there are still no concrete plans on the table for the two former department stores in the Mönckebergstraße – formerly Kaufhof and Karstadt Sports. However, the ground floor of the former Kaufhof store has been let temporarily to an Outlet shop. Also in the Mönckebergstraße, plans for the new building to replace the old C&A involving restaurants, a hotel and offices, show a different use for retail space in future. The city centre is set to be hit further once a new, 80,000 m² shopping mall opens in the HafenCity – probably in 2023. Prime rents are likely to dip further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

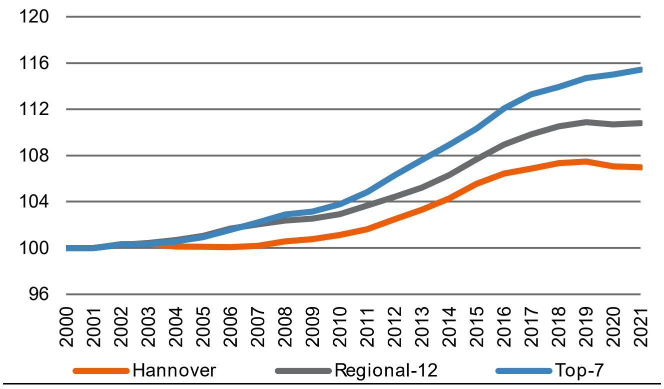
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

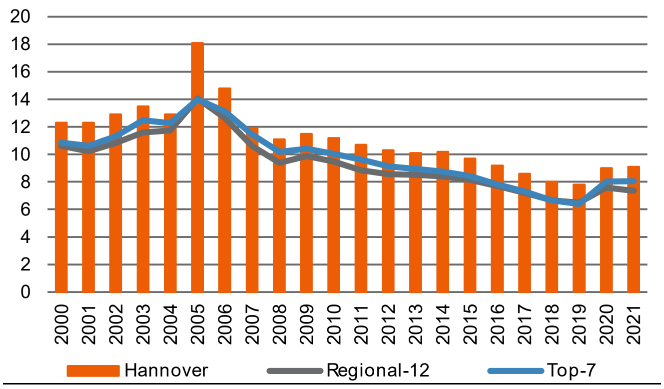
HANNOVER

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

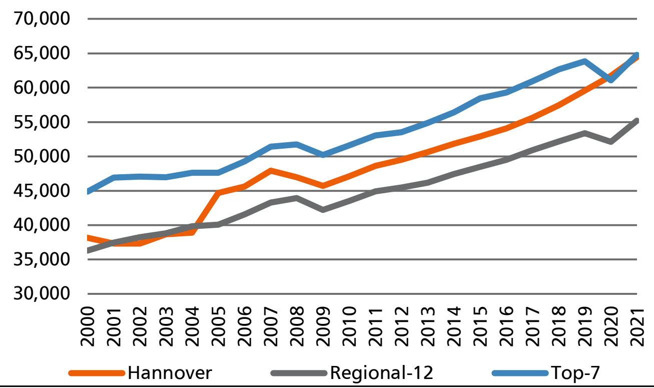


Source: bulwiengesa, BA (2021)

Hannover in a leading position in the property market outside the top locations

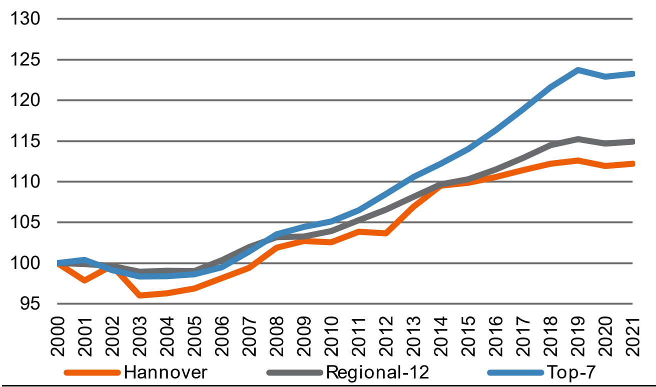
Hannover is by far the largest city in Lower Saxony with a population of around 535,000 inhabitants; it ranks in 13th place in Germany. At 6 per cent, ten-year population growth is relatively moderate, and in fact, the number of inhabitants fell slightly in 2019 and 2020. Hannover stands out in the property market as the leading city outside the top locations, driven among other things by quite steep business rents along with a large stock of office space. This reflects a number of factors: Hannover is the regional capital, administrative hub and pre-eminent business centre in Lower Saxony. At the same time, the city is at the heart of the metropolitan Hannover-Braunschweig-Göttingen-Wolfsburg region. It is also the location for major trade fairs and hosted the World Expo in 2000. As a centre for science and research, Hannover benefits from good transport links in an east-west and north-south direction which has helped the development a strong logistics hub. Industry is represented by mechanical engineering and automotive firms along with related suppliers. The city is also important for financial services. MDAX-listed insurance companies Hannover Re and Talanx have their head office in the city. Hannover also has a DAX company, the automotive supplier Continental. The travel group TUI is based in Hannover. The city is a major academic centre with various research and higher education institutions and over 50,000 students. Unemployment is relatively high, however, in spite of a broadly based labour market with demand from business and administration.

GDP (IN EUR PER CAPITA)



Source: Scope

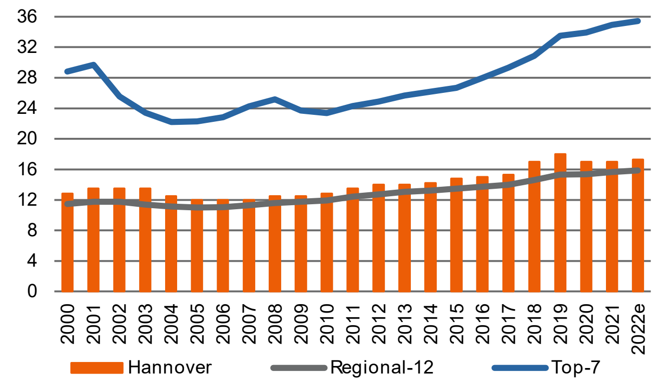
WORKING POPULATION (2000 = 100)



Source: Scope

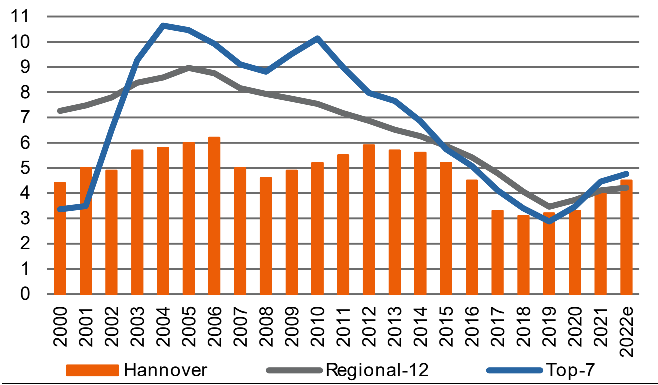
Office space in Hannover

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

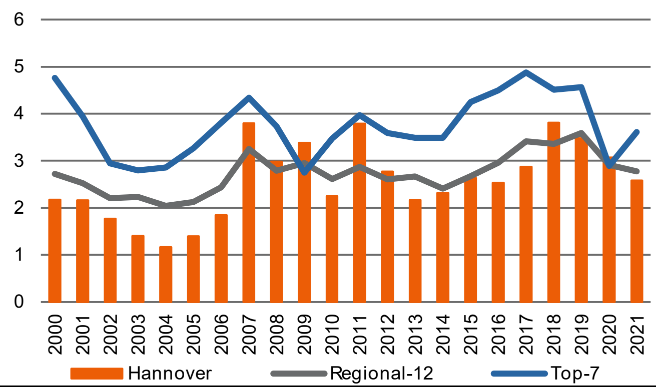


Source: bulwiengesa, DZ BANK forecast

Hannover by far the biggest office market in Germany outside the Top 7

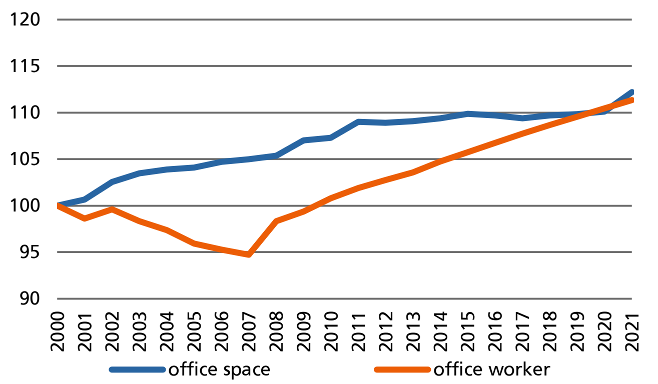
Hannover is the leading office market outside the Top 7 with 4.6 million m² of space, followed a long way behind by Nuremberg which has 3.6 million m². However, the stock of office space has only grown by a marginal 3 per cent in the last ten years in spite of lively demand driven by growing office employment. This has lead to a halving in the vacancy rate to around 3 per cent since 2012. In other words, the city's large office stock does not in any way go hand-on-hand with a surplus. A shortage of available modern office space had led to a rise in prime rents to EUR 18 per m² by 2019. In the wake of the pandemic, however, they have fallen back to EUR 17 per m² and the vacancy rate rose slightly to 4 per cent. In addition, Covid has led to a levelling off in market activity from a record high of 173,000 m² in 2018. Even so, there was another six-figure take-up of 120,000 m² in 2021. The decline mainly reflects the absence of any major transactions. The biggest deal (9,000 m²) was signed by the police with public sector bodies well represented among larger deals in 2021. A slight increase in the vacancy rate moreover reflects a high level of completions last year. For the first time in almost 30 years, the volume amounted to over 100,000 m², and there should be at similar level again this year. However, this welcome increase in a tight supply of modern office space should not have any negative impact on prime rents; in fact, they are far more likely to increase slightly.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

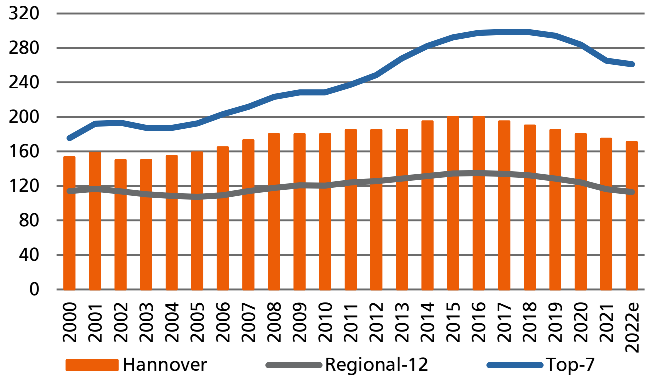
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

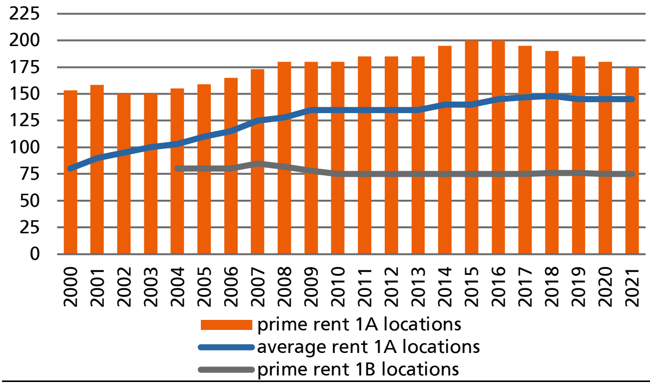
Retail space in Hannover

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

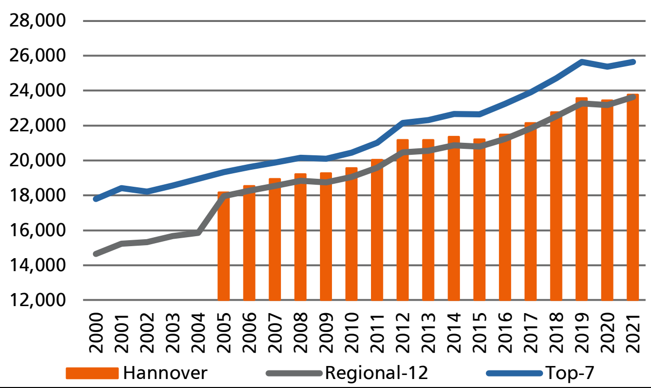


Source: bulwiengesa

Hannover still one of the most expensive retail locations in Germany

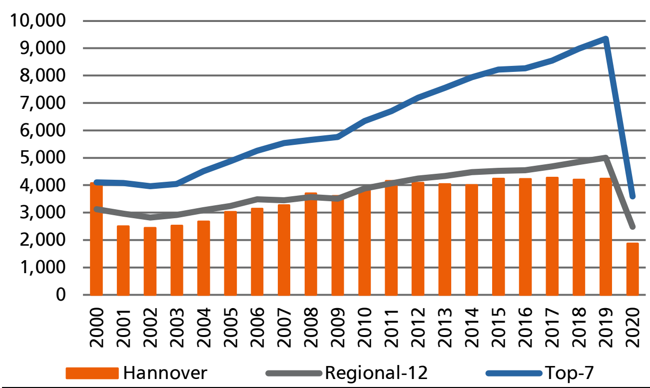
Hannover is one of the leading retail locations in Germany; only Dortmund is slightly more expensive still outside the top 7. One of the success factors is a catchment area of 1.8 million people. Moreover, Hannover hardly has any competition from neighbouring cities. The city centre has large amounts of retail space which allows it to hold up well against out-of-town retail parks. The city scores 121 points for centrality, but purchasing power is slightly below the German average at 97 points. The city's attraction as a shopping destination is based on a good range of shops in the centre which has several prime shopping locations, namely the Bahnhofstraße/Niki-de-Saint-Phalle-Promenade, Georgstraße, Große Packhofstraße and Karmarschstraße. The latter was given a major boost a few years ago with the opening of the Kröpcke-Center. These prime locations are enhanced by 35,000 m² of retail space in the city centre's Ernst-August-Galerie. Demand in the retail sector is also boosted by tourism in the trade fair city. However, Hannover has not been immune to the impact of the pandemic, a fact illustrated by a large number of vacant premises. Moreover, the empty Karstadt building has yet to be repurposed. All in all, though, the city centre has held up well during Covid, as illustrated by a marginal fall in rent of just EUR 10 since 2019 to EUR 175 per m² most recently. However, prime rents had already declined prior to the pandemic, although even a total fall of 12.5 per cent 2016 is manageable. That being said, prime rents remain high and could dip further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

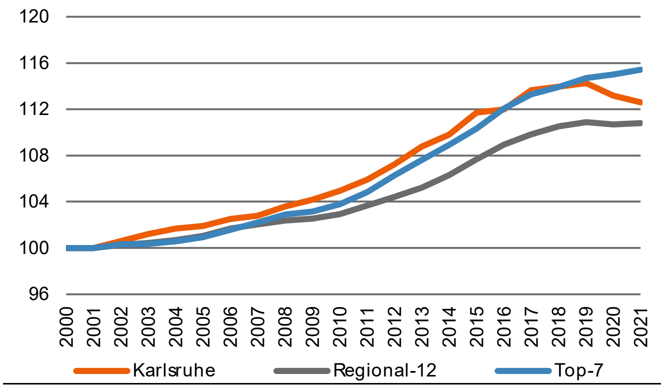
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa

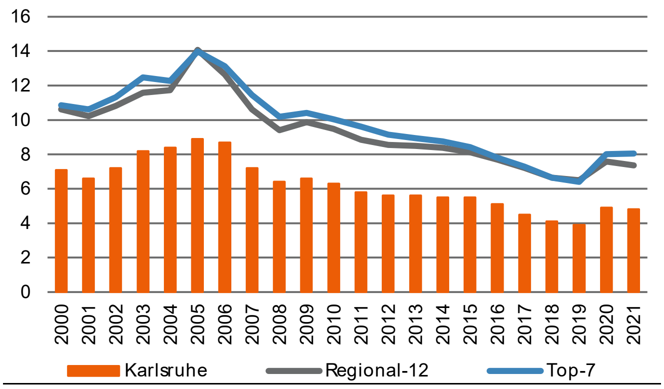
KARLSRUHE

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

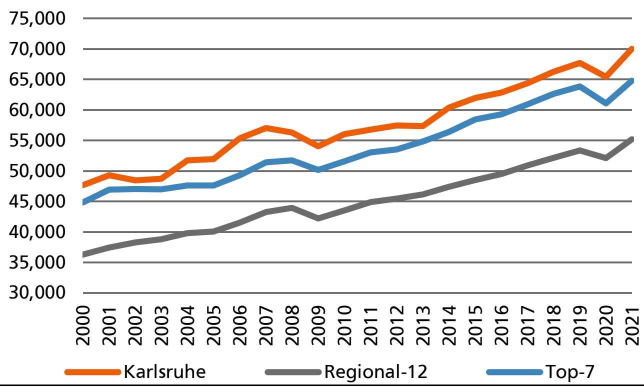


Source: bulwiengesa, BA (2021)

Karlsruhe a major business, administration and research centre

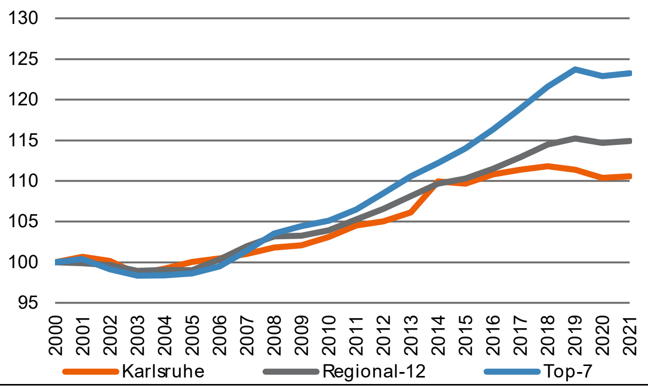
Karlsruhe and Mannheim are the largest cities in Baden-Württemberg after Stuttgart, each with a population of over 300,000 inhabitants. Another point in common is strong population growth, although in the case of Karlsruhe, this has recently declined in view of a limited influx. On the other hand, the local economy in each city differs significantly. Unlike the more industrial Mannheim, Karlsruhe is primarily an administrative and services hub, as well as a centre for science and technology. The city is located on the Upper Rhine and moreover home to important institutions such as the Federal Constitutional Court, the regional government administration and the Federal and State Government Employee Retirement Fund. As a centre for science and technology, Karlsruhe has a number of outstanding higher education institutions with a total enrolment of 40,000 students. First and foremost among these is the Technical University and the Karlsruhe Institute for Technology (KIT). Karlsruhe's importance as a science and technology centre is enhanced by its many research institutions. The city's economy also benefits from good transport links via the A5 and A8 motorways, the ICE high-speed train connection, along with an airport and river port. Key sectors are IT, chemicals and machinery. Well-known firms based in Karlsruhe include the dm drugstore chain, EnBW, the co-operative IT service provider Atruvia and pharmaceutical company Schwabe. On the other hand, tourism does not play a major role in the baroque city and former royal residence. Unemployment is low it stood at 4.2 per cent in December 2021.

GDP (IN EUR PER CAPITA)



Source: Scope

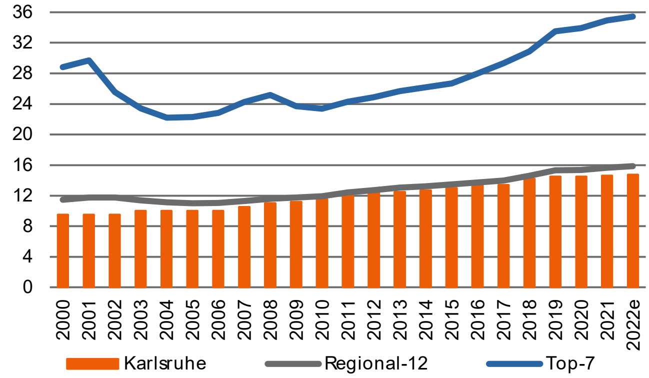
WORKING POPULATION (2000 = 100)



Source: Scope

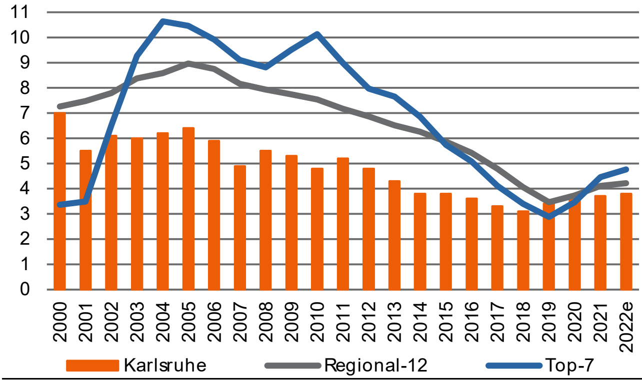
Office space in Karlsruhe

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

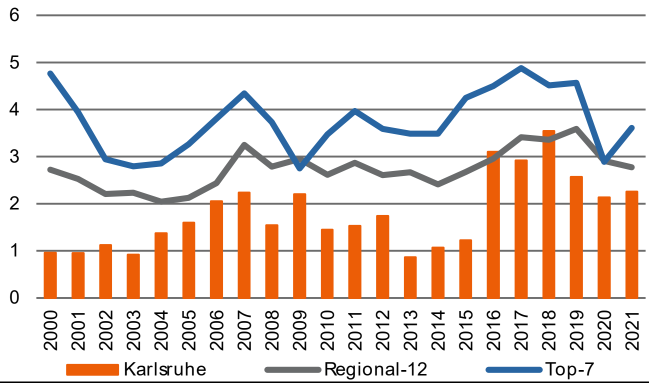


Source: bulwiengesa, DZ BANK forecast

Stable office market which has remained unperturbed by the pandemic

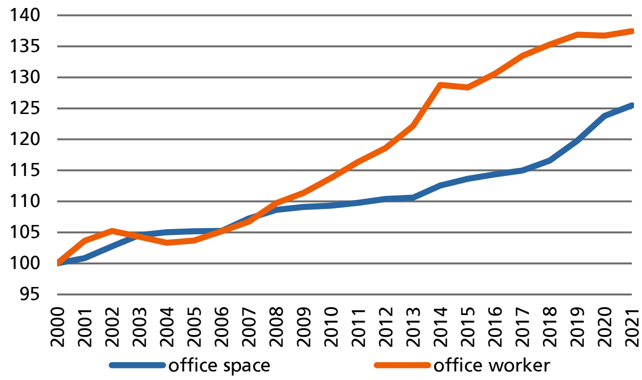
As an administrative centre, service hub and science and research location, Karlsruhe has a large office market of almost 2.6 million m². The stock was boosted by a number of larger projects between 2018 and 2020 − first and foremost among which the 1&1/Dommermuth office complex by the main railway station, offering around 50,000 m² of space. However, a sharp rise in office work also led to an increase in demand for office space, leading to a gradual reduction in vacancy rates in the past. The figure has been consistently below 4 per cent since 2014. Neither the pandemic nor a fairly substantial volume of completions in 2019 and 2020 led to any significant rise in vacant space. The amount of new office space was back to a more moderate level in 2021 and the project pipeline suggests a similar picture in 2022 and 2023. From a supply point of view, therefore, there should hardly be any cause for a rise in the vacancy rate. After a high take-up by Karlsruhe standards in the period from 2016 to 2018, figures have fallen back again from 2019 onwards, but they were well above the low take-up prior to 2016. There has been no Covid-led slump in this stable office market. Last year, however, take-up of 59,000 m² benefited from a 28,000 m² deal – a new head office for Vector Informatik. Karlsruhe's prime office rents have increased gradually to EUR 14.60 per m² most recently. The ten-year rise stands at 22 per cent. We expect another low vacancy rate of under 4 per cent this year and a stable or even marginally higher prime rents.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

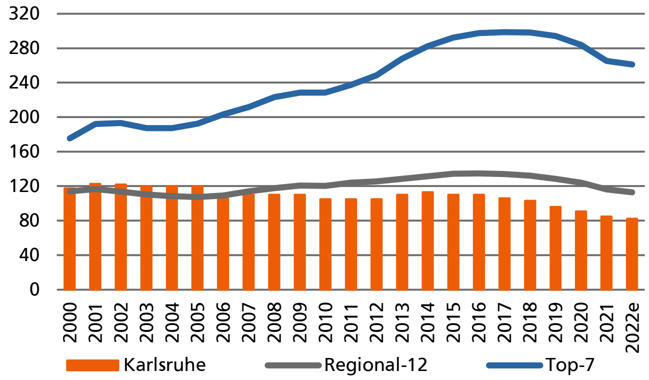
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

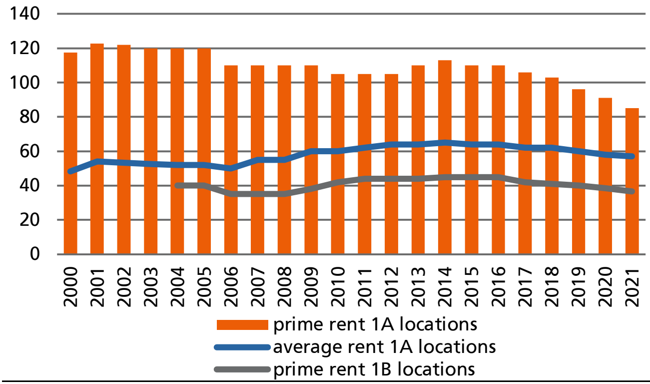
Retail space in Karlsruhe

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

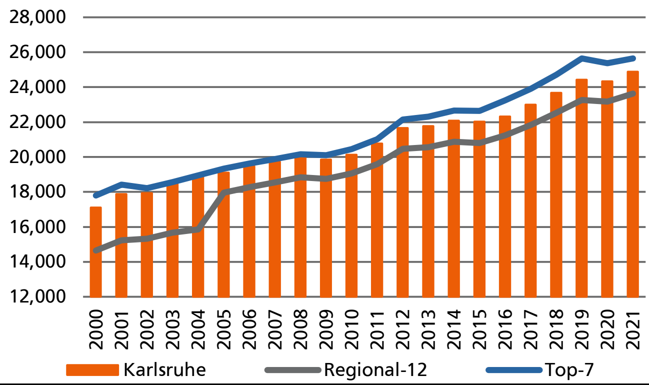


Source: bulwiengesa

City-centre retail sector weakened by major building works, Covid and online shopping

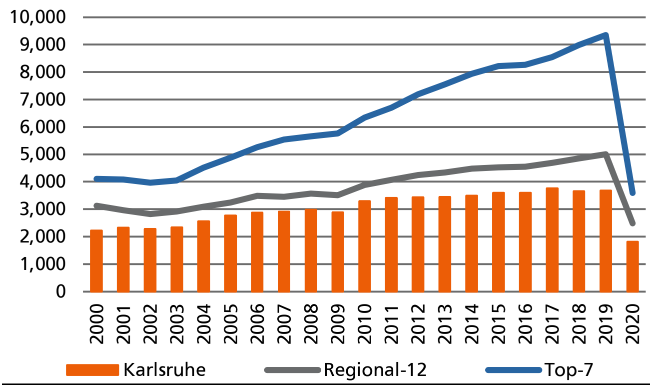
Karlsruhe is a major shopping destination in Baden-Württemberg. Retailers have benefited from strong population growth over many years, a catchment area of over 1 million people and solid economic base with low unemployment. At 102 points, purchasing power is rather moderate, reflecting the city's large student population. The retail offer in the Kaiserstraße − the prime location − is enhanced by two well integrated shopping centres, the Postgalerie and Ettlinger Tor. Even so, the town centre has lost some of its attraction. The centrality score has fallen steadily of late to now 115 points. Problems have been clear for a while now with a proliferation of cheap-and-cheerful shops on the fringes of the Kaiserstraße. The centre has been weakened by the city authority's "combined solution" which has involved moving the city's tram underground along the length of the shopping mile; the line went into service at the end of 2021. The centre remains a major building site with the remodelling of the Kaiserstraße itself. The "Aktionsplan City" is unlikely to be completed until 2030. However, it will give the two centre a pedestrian area and thus boost its attraction. However, headwind is picking up, e.g. from the expansion of the peripheral Durchlach Centre or from the opening in the autumn of 2020 of an out-of-town IKEA store, not to mention the impact of the pandemic and online shopping. This explains a noticeable downtrend in prime rents which have been falling for many years; it has declined by around 30 per cent since 2005. This includes a slide of around 12 per cent since 2019 to EUR 85 per m² most recently. The downtrend is likely if anything to continue, in view of ongoing problems for retailers from stagnating population growth.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

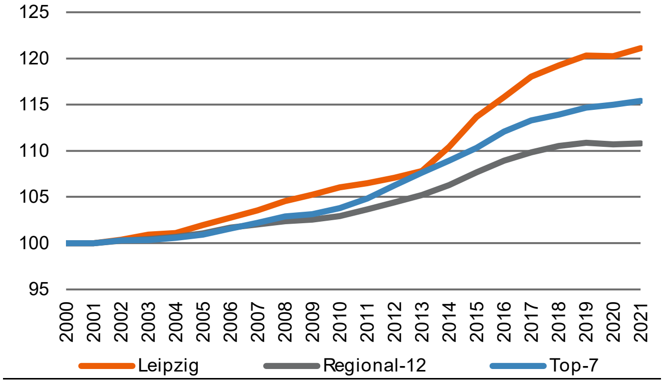
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa

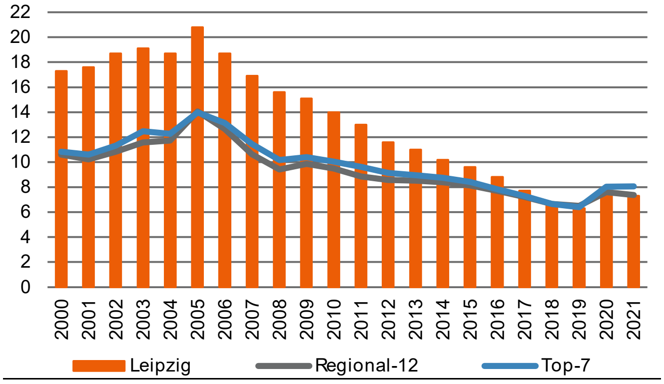
LEIPZIG

POPULATION (2000 = 100)



Source: bulwiengesa, Scope

UNEMPLOYMENT RATE (%)

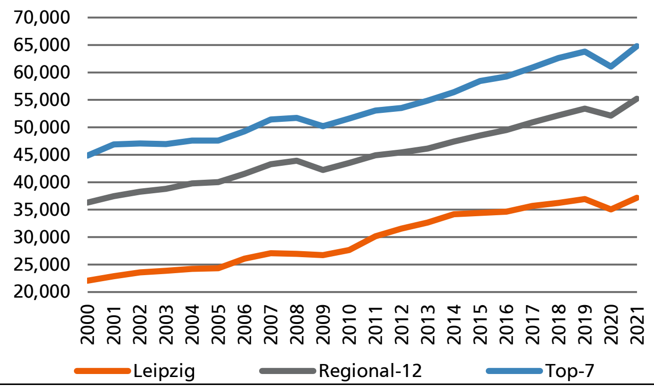


Source: bulwiengesa, BA (2021)

Strong population growth has continued during the pandemic

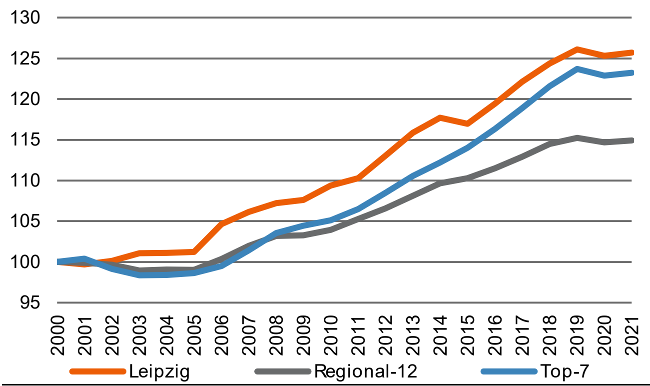
Leipzig is Germany's eighth largest city with almost 600,000 inhabitants. The population grew by around 75,000 from 2010 to 2020, or an increase of more than 13 per cent. This strong growth means that the city's real estate market has gone from having an unfortunate reputation for high vacancy rates, to now being characterised by tight supply and rising rents. The city's advantage from cheap housing has largely disappeared. The population influx is being driven by a high quality of life in a city rich in historical buildings and ongoing economic upturn, which has led to an attractive job market and noticeable reduction in a once high unemployment rate. In December 2021, the jobless rate still stood at a moderate 6.1 per cent . The city's economic success is built on a long tradition as a major centre for trade fairs, commerce and industry. As a location, Leipzig also benefits from good road, rail and air access. After reunification, prominent industrial companies such as BMW and Porsche built large production plants in the city. Key economic clusters are the automotive sector, healthcare/biotechnology, energy, logistics and IT/media/creative industries. Moreover, a thriving start-up scene has sprung up around a dozen higher education institutions with almost 40,000 enrolled students. Tourism is another important source of revenues for the local economy. A major project is currently underway on a brown field site near the main railway station. The area will become the Löwitz district and see the creation of 550 apartments, around 50,000 m² of office space along with shops, restaurants, daycare facilities and a secondary school.
A much larger project could be realised on the former Leipzig goods yard with 2,400 flats and 100,000 m² of office space.

GDP (IN EUR PER CAPITA)



Source: Scope

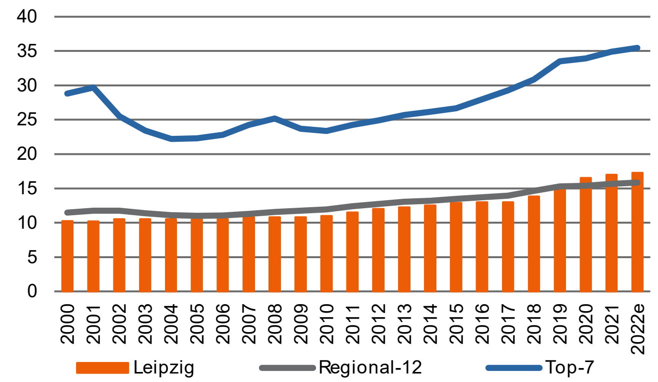
WORKING POPULATION (2000 = 100)



Source: Scope

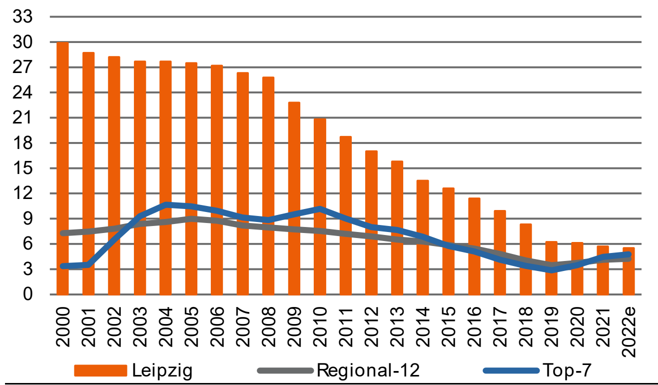
Office space in Leipzig

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

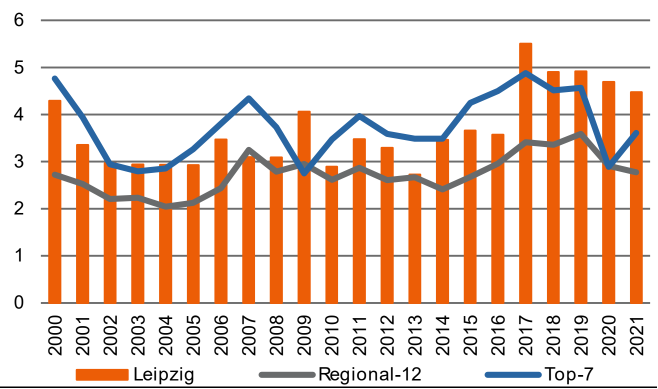


Source: bulwiengesa, DZ BANK forecast

Leipzig office market hardly touched by the pandemic

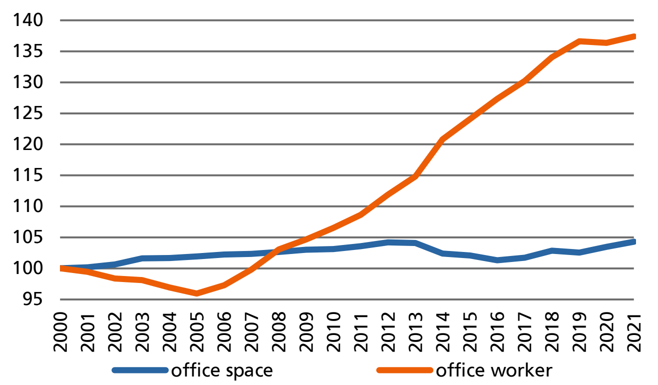
At just under 2.8 million m², the office market in Leipzig is the third largest in eastern Germany. After reunification, the increase in office space far outpaced demand, leading to a rise in the vacancy rate to over 30 per cent towards the end of the 1990s and a slump in office rents. However, there has now been a marked reduction in vacant office space after supply stagnated for many years. The vacancy rate fell to under 6 per cent by 2021 − its lowest level since 1994. Consequently, the strong growth in office work led to a disproportionate rise in prime rents to EUR 17 per m² most recently in view of a shortage of modern office space. This has turned Leipzig into the most expensive regional centre in this market report along with Hannover and Mannheim. Prime rents rose by almost 50 per cent within the space of ten years. Activity in the office market has picked up further in the last few years. Annual take-up has been consistently in six figures since 2017 and the pandemic has not led to any significant downturn, as illustrated by high figures of 130,000 and 125,000 m² respectively in 2020 and 2021. Moreover, this high take-up was also achieved with smaller and medium-sized transactions. The biggest deal in 2021 was for 7,000 m²; the client is the biotech company c-LEcta. New completions this year and next year are likely to be on the moderate side although building activity is gradually picking up again. Prime rents could rise further in view of the scarcity of contemporary office space and the vacancy rate is likely to dip slightly.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

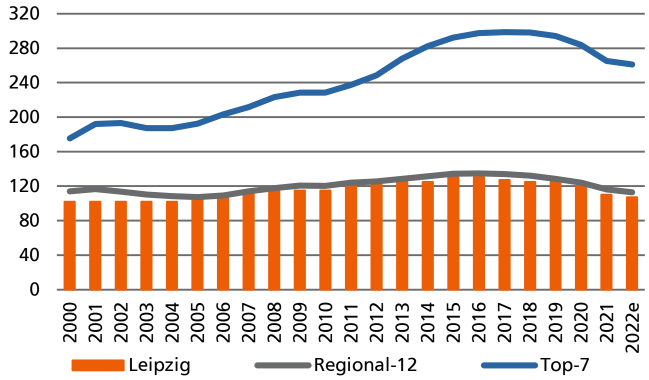
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

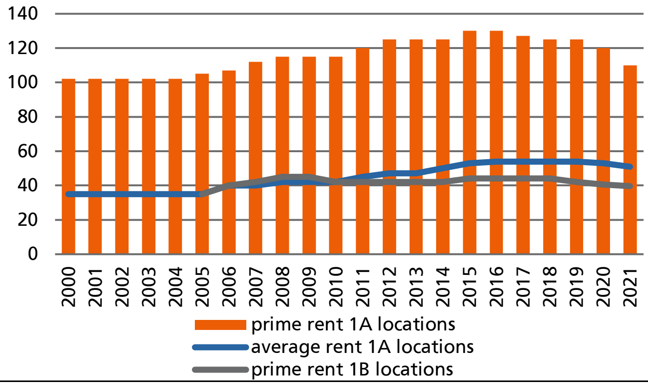
Retail space in Leipzig

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

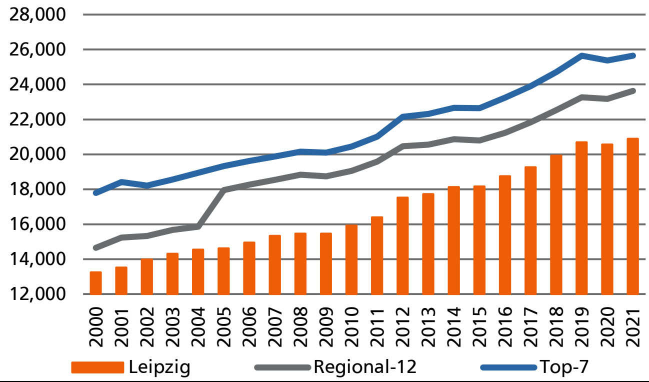


Source: bulwiengesa

Attractive city centre not being spared the impact of e-commerce or the pandemic

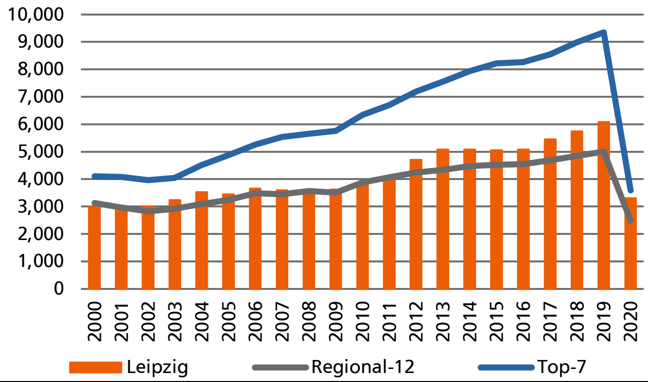
With its attractive city centre, Leipzig is the third go-to shopping destination in eastern Germany along with Berlin and Dresden. Conditions for the retail sector have been positive so far, not least in view of a catchment area of 1.2 million people. Although purchasing power is far below average at 86 points, demand in the city centre retail sector is bolstered by strong population growth and growing tourism (prior to the pandemic). In addition, access to the city centre from neighbouring areas has improved considerably with the completion of the Citytunnel and link-up to the overground (S-Bahn) in 2013. Visitors to the city centre have a choice between several prime locations such as the Petersstraße and Grimmaische Straße and the two shopping centres (Höfe am Brühl and Hainspitze). Although Leipzig hardly has any competition from nearby towns, its centrality score is nevertheless rather low at 104 points and, moreover, down slightly. The main reason for this is competition from out-of-town shopping outlets. The city centre in Leipzig has not been spared the downtrend in rents either. Prime rents dipped EUR 5 to EUR 125 per m² from 2016 to 2019, and the pandemic has recently accelerated the trend to EUR 110 per m², which means that they are now around 15 per cent below their high. In addition, there has been a noticeable rise in the number of empty premises in the city centre. The city authorities are therefore developing concepts to revive the centre, starting with the creation of a new post of city manager. On the plus side, the historical building which was for a long time home to Karstadt and stood empty for two years has now been redeveloped for mixed-use – mostly with offices. In spite of efforts to support the town centre, the decline in rents is likely to continue this year.

PURCHASING POWER (IN EUR PER CAPITA)



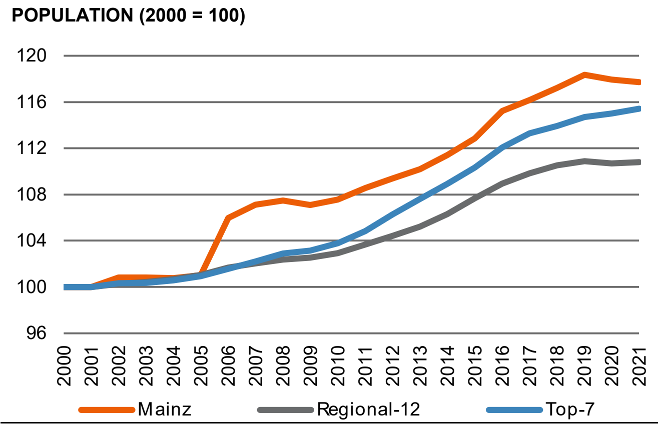
Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

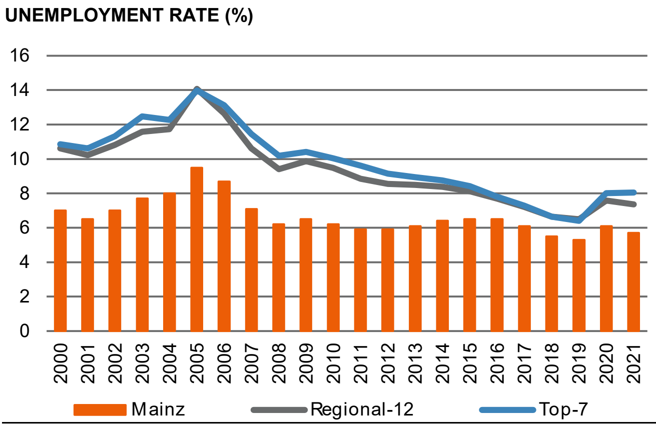


Source: bulwiengesa

MAINZ



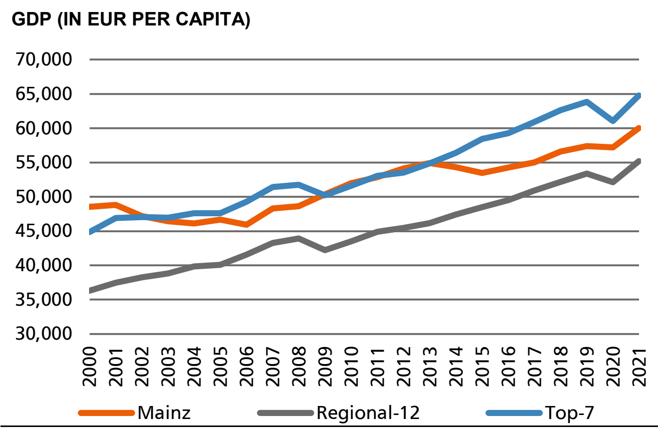
Source: Scope



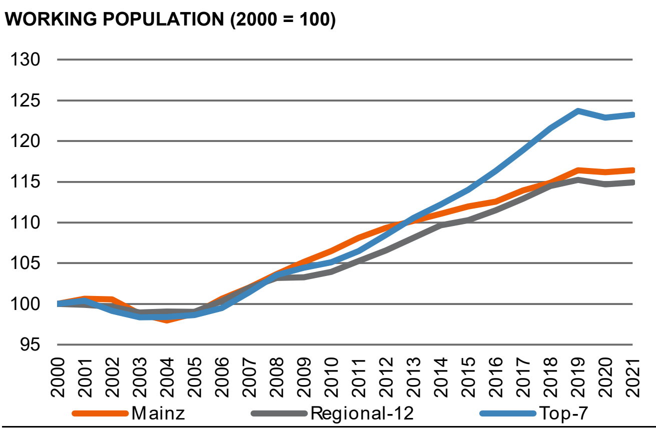
Source: bulwiengesa, BA (2021)

Rhineland-Palatinate capital has seen strong growth: residential rents are therefore high

Mainz's advantageous position on the Rhine and Main was already prized in Roman times. Today, the capital of the Rhineland-Palatinate also benefits from its location in the economically strong Rhine-Main area. As a university town offering a high quality of life, Mainz has experienced strong population growth of around 10 per cent since 2010. Recently, however, the increase has come to a halt at not quite 220,000 inhabitants. One major factor has been a tight and above all expensive housing market with rents comparable to those in Cologne − a city of one million. Public bodies along with radio and TV, prominently represented by ZDF, SWR and 3sat play a key role for the local economy. The creative sector and services, focusing mainly on health and social services are also major employers. Manufacturing plays a more secondary role. On the other hand, Mainz is an important centre for science and technology with over 37,000 students and many research institutions. Mainz is home to the biotech company BioNTech (founded in 2008) which developed the first approved covid-19 vaccine. Other well-known companies based in Mainz include the glass manufacturer Schott, credit insurer Coface and the chemical company Werner & Mertz (which produces the shoe polish Erdal). Unemployment is low at 4.9 per cent (December 2021). A major project is underway in the Zollhafen district which will see the creation of 4,000 new jobs and 1,400 flats by 2025. BioNTech's financial success has meant a huge windfall for the city which can be used for development. Instead of a deficit in 2021, there was a budget surplus of EUR 1.1bnand a further surplus of EUR 0.5bn is expected in 2022. Apart from a reduction in business tax, the money will be spent on expansion in the city − now the home of biotech.



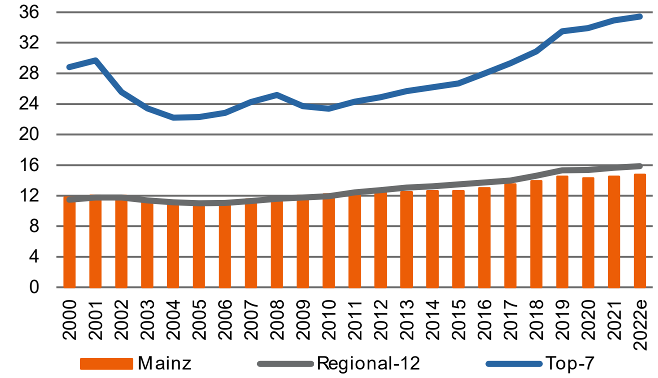
Source: Scope



Source: Scope

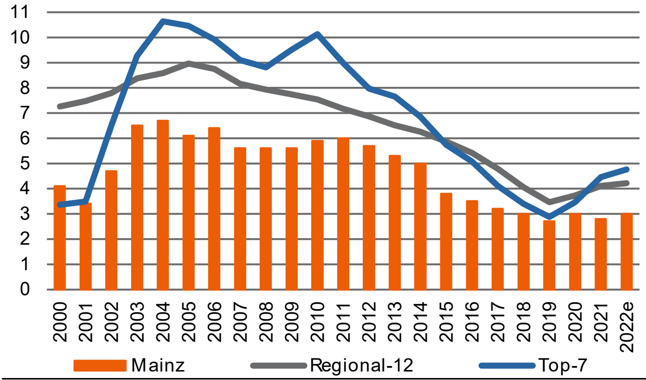
Office space in Mainz

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

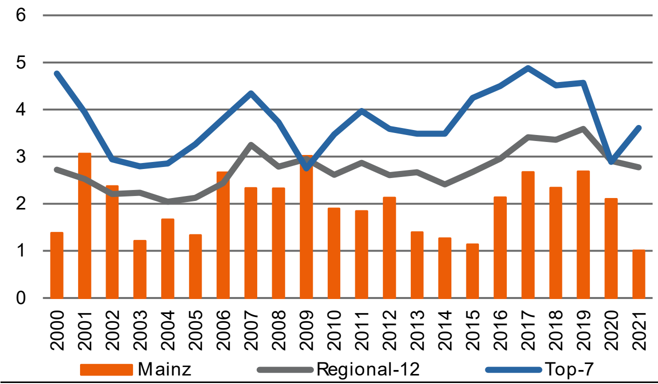


Source: bulwiengesa, DZ BANK forecast

Zollhafen development providing contemporary space for Mainz office market

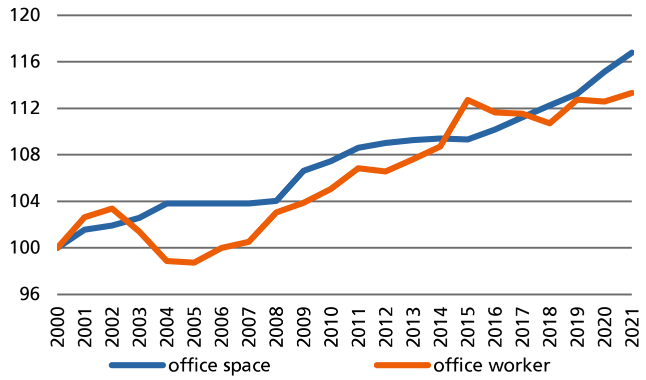
The Mainz office market is one of the smaller ones in our report with a stock of 1.7 million m²; demand is mainly regional. The stock grew by a moderate 7.5 per cent from 2011 to 2021, i.e. slightly faster than office jobs which have only increased slowly. Even so, vacant stock has declined gradually. The vacancy rate has been under 4 per cent since 2015, leading to a marked rise in prime rents to EUR 14.50 most recently. There has been no pandemic-led increase in the rate which stood at 2.8 per cent in 2021. Because of the major importance of the public sector as a local employer, activity in the office market tends to be on the quiet side, as illustrated by a relatively low take-up of around 30,000 m² p.a. from 2010 to 2016. The newly built office buildings in the Zollhafen led to take-up of at times over 40,000 m². In 2020, it only declined slightly in view of two larger deals. However, it then halved to just 17,000 m² in 2021 with just one larger transaction – 8,000 m² for pharmaceutical and biotech company Novo Nordisk. In contrast, there are signs of a record take-up figure this year, if nothing else in view of plans by BioNTech and ZDF to lease space which would amount to a combined total of over 50,000 m². In conjunction with the expansion of the biotech cluster, take-up could even increase slightly more than it has so far. A further uptick in prime rents is also possible this year.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

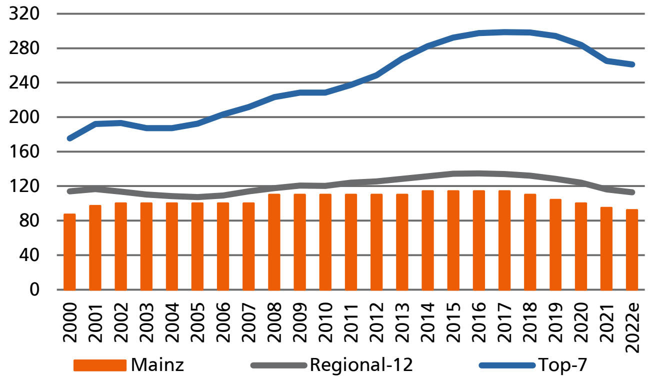
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

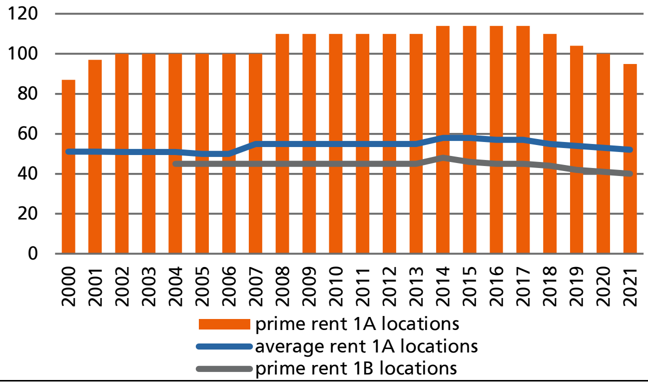
Retail space in Mainz

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

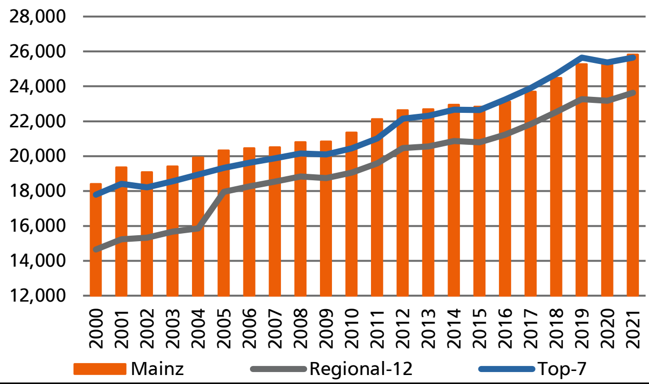


Source: bulwiengesa

Forthcoming revamp of Ludwigstraße should make city more attractive

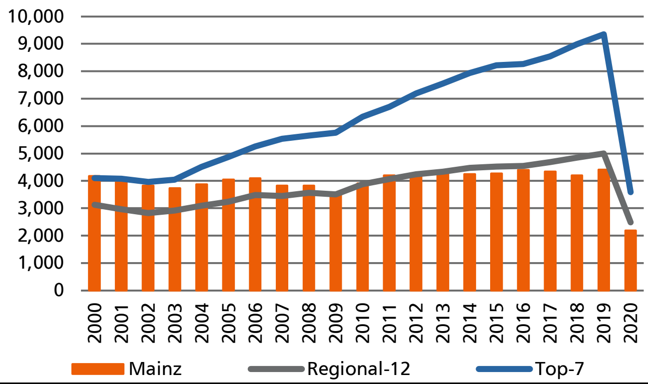
As a shopping location, Mainz benefits from a catchment area of 1 million people, extending mainly south-west of the city; north and eastwards, it is curtailed by the Rhine and shopping locations in the Rhine-Main area. There is strong competition from Wiesbaden across the Rhine and from Frankfurt which is only 40 km away. Until the outbreak of Covid, tourism was a major earner for the city with almost 1 million overnight stays in 2019. Apart from the fairly small Römerpassage, Mainz has no inner-city shopping centre to attract shoppers, although this weakness is offset by a good mix of shops in the three prime shopping streets − Am Brand, the Schusterstraße and Stadthausstraße. The city's attraction should benefit from the long-planned redevelopment of the Ludwigstraße ("Lu"), which is due to start this year after the closure in October 2020 of the Karstadt store. This will also mean the closure of the temporary Lulu "concept store". Plans for the redevelopment involve a move away from pure retail to mixed use with shops, places to eat and drink/a hotel and cultural venues. Kaufhof is the one remaining department store. Unlike elsewhere, in Mainz, prime retail rents only rose slightly until 2017, after which they started to come down in line with other locations. Since 2017, they have fallen by around 17 per cent to EUR 95 per m² most recently. The weakness of the retail sector was already in evidence with vacant premises prior to Covid, although these were partly hidden by pop-up stores. The good news is that there was even a slight rise in the number of shops in 2021. Even so, prime rents are likely to fall further, not least in view of the major building site which is in preparation.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

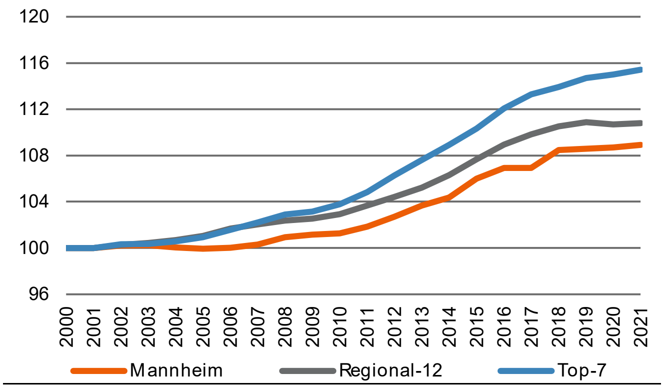
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa

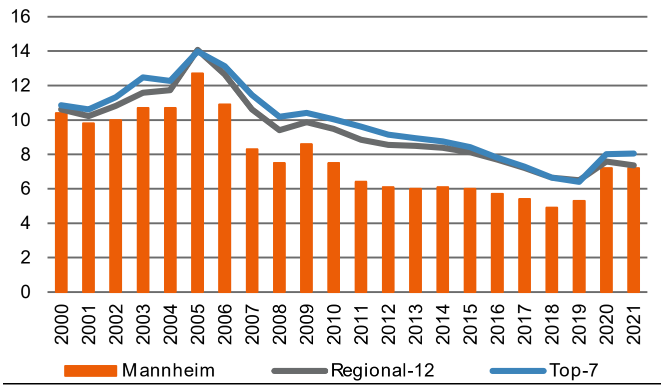
MANNHEIM

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

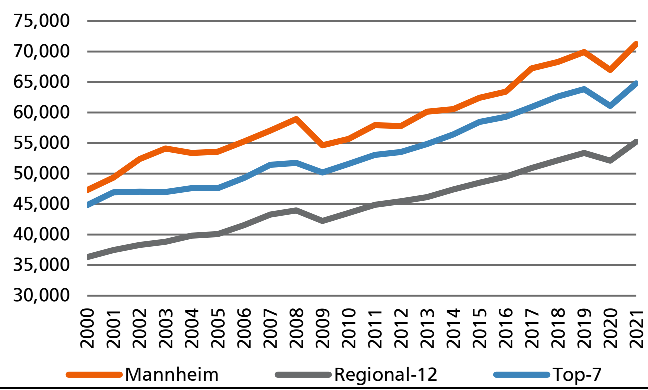


Source: bulwiengesa, BA (2021)

Attractive living and commercial space being developed on former brown sites

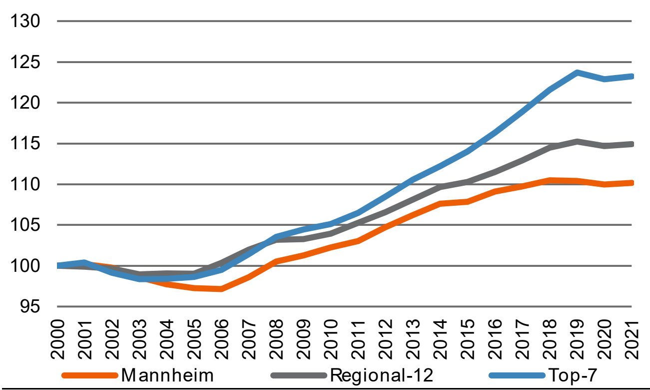
Mannheim is currently the second largest city in Baden-Württemberg with 310,000 inhabitants, just ahead of Karlsruhe. The 7 per cent ten-year growth rate was in line with the regional centres surveyed in this study, but population growth has been stagnating since 2018, not least because of a sharp rise in residential rents. In contrast, stagnation pre 2010 was much more a reflection of high unemployment at the time. However, the economic situation has improved significantly; at 6.6 per cent (December 2021), unemployment is no longer all that high for a city. Mannheim is the economic centre of the Rhine-Neckar region and a renowned city for science and research with a large university and several institutions for applied sciences with a total of 29,000 students. The local economy benefits from the city's location on the Rhine and Neckar, from a river port and good transport links via the A5/A6 motorways and ICE network. Mannheim's core sectors are the electrical/electronics industry, chemicals and pharmaceuticals along with the machinery and automotive industries. Insurance, financial services and logistics have also done well. The city has a lively start-up scene across several hubs. Big names based in Mannheim include Daimler, Bilfinger, MVV Energie, Phoenix Pharmahandel, Südzucker and Fuchs Petrolub. The city's large disused military, railway and industrial sites are benefiting expansion. The Glückstein quarter, for example, has been developed on one such site and the 2023 Federal Garden Show is also due to take place on regeneration land. The Spinelli Barracks currently being redeveloped are the fourth former US base to be repurposed. The site will eventually be home to 4,500 people.

GDP (IN EUR PER CAPITA)



Source: Scope

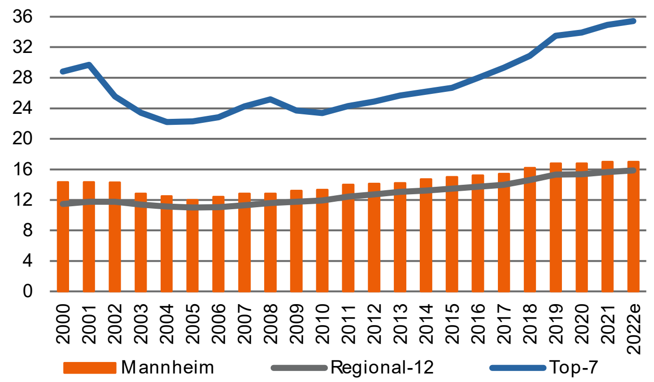
WORKING POPULATION (2000 = 100)



Source: Scope

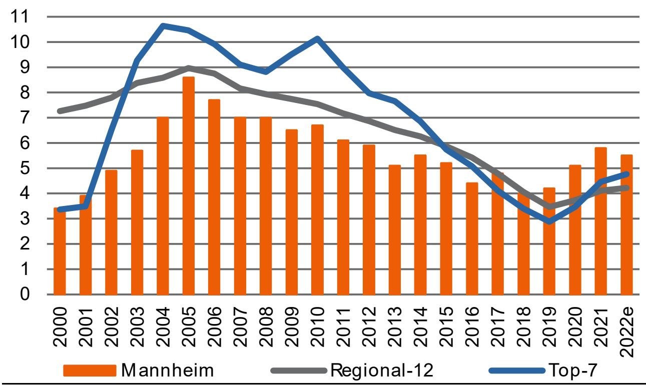
Office space in Mannheim

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

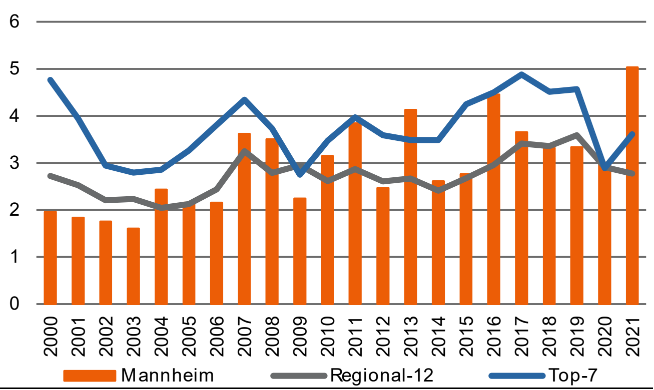


Source: bulwiengesa, DZ BANK forecast

Mannheim is a major office location in the economically strong Rhine-Neckar region with office stock of almost 2.2 million m². The stock has grown by 13 per cent over a ten-year period, in line with office work. One of the drivers for the rise in demand for office space apart from Mannheim's solid economic performance has been its change from an industrial base to a service centre. The stock of empty offices has dwindled, leading to a reduction in the vacancy rate to just over 4 per cent by 2018. However, a high number of completions in 2020 led it a marked rise again, and this continued in 2021. Projects in the pipeline suggest that the vacancy rate is likely to remain at over 5 per cent for the moment. Activity in the market has not been hit by the pandemic. Take-up was a solid 66,000 m² in 2020, and a figure of 110,000 m² set a new record in 2021. Apart from the usual activity involving small and medium-sized transactions, there were three deals above the 10,000 m² mark. The new tenants are Bauhaus, ABB and Roche Diagnostics with new builds in each case. Most of the large transactions were pre-lets. The fact that the rise in vacancy rate is no indication of a weakness of the Mannheim office market is illustrated by prime rents which had risen to EUR 17 per m² by 2021. The 21 per cent ten-year rental growth was slightly below average since it started from an already high level. Based on current rents, Mannheim is among the most expensive office markets among the top locations along with Hannover. This year, however, prime rents should remain stable in view of the level already reached and new build projects.

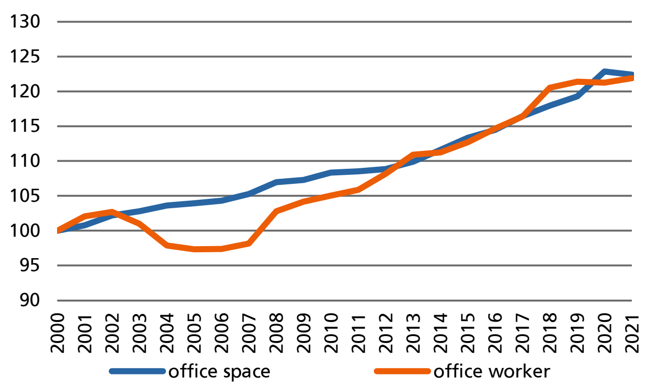
Mannheim one of the most expensive office markets in the whole of Germany outside the Top 7

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

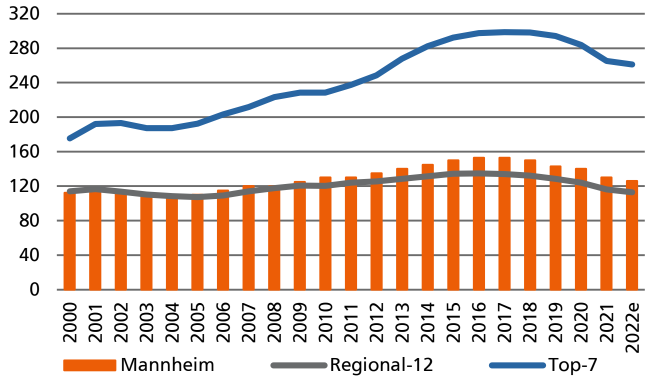
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

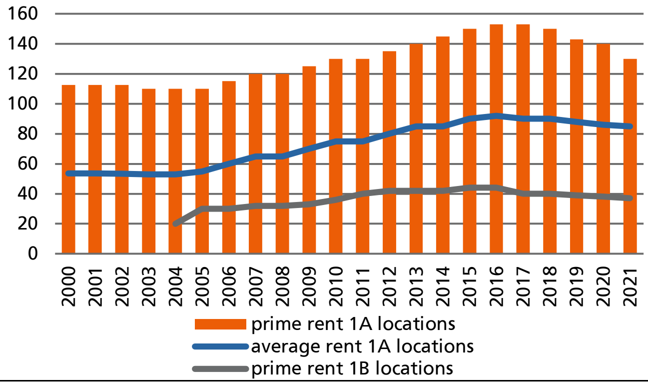
Retail space in Mannheim

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

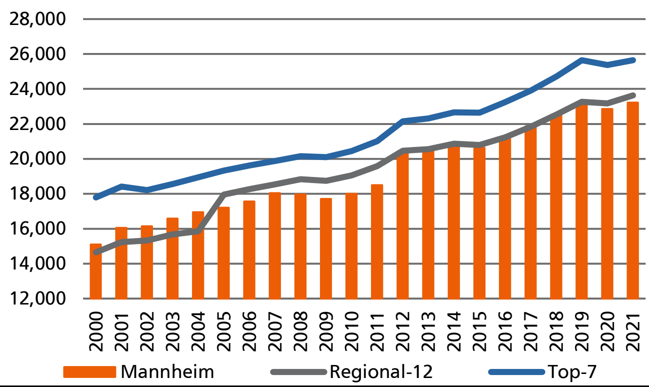


Source: bulwiengesa

Mannheim looking ahead to fresh start after Covid with a newly renovated city centre

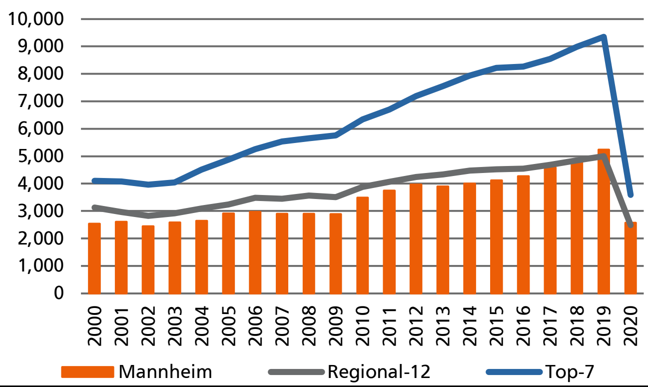
Mannheim is the foremost shopping destination in the Rhine-Neckar region. Its huge attraction translates into a very high centrality score of 140 points. The purchasing power influx from a 1.3 million-strong catchment area makes up for Mannheim's below-average purchasing power of 95 points. Mannheim's attraction as a shopping destination had led to an increase in prime rents to EUR 153 per m² by 2016. Since 2018, however, they have fallen 15 per cent to EUR 130 per m². The level has been depressed not only by the structural change in retail and the impact of the pandemic, but also by an increase in retail space in the town centre after the opening in 2016 of the Q6Q7 mall. On the other hand, a complete remodelling of the prime Planken shopping mile has improved the supply of attractive retail space. The former Mömax building – before that Karstadt – reopened in September 2019 as the K1 Karree lifestyle centre after a complete renovation. It offers a mix of retail, food and drinks outlets, fitness facilities and offices. In spite of measures to make the city centre more aesthetically pleasing, Mannheim will not be spared the fall in demand for town-centre retail space. However, prospects for a "new beginning" in high-street retail once the pandemic is over should be pretty good for the renovated city centre which will also be free of building sites. Nevertheless, a further fall in prime rents is likely this year. The Kaufhof store in Mannheim N7 closed down in October 2020 and the building has been sold off. Rebuilding is already underway with plans for a mix of retail, housing, offices and practice premises.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

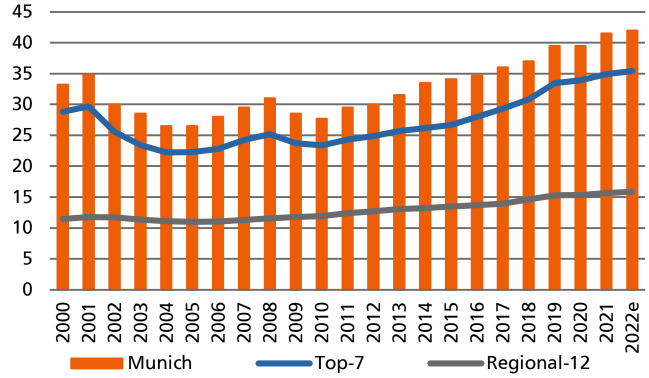


Source: bulwiengesa

MUNICH

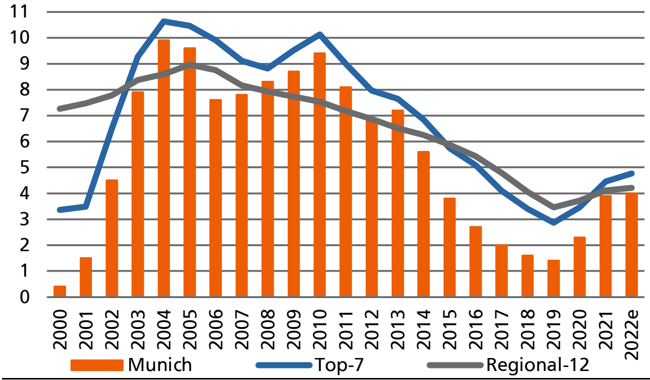
Office space in Munich

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

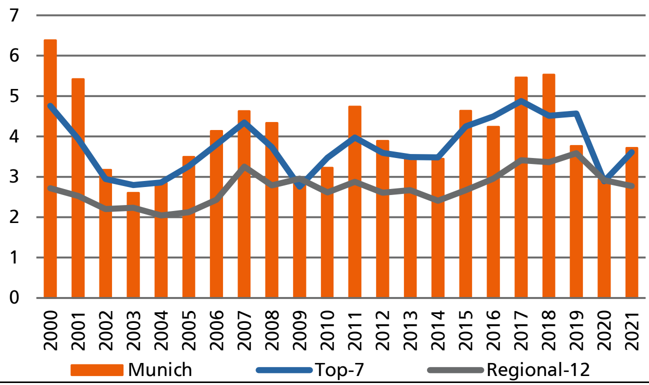


Source: bulwiengesa, DZ BANK forecast

Prime rents rose in 2021 in spite of sharp rise in vacant space

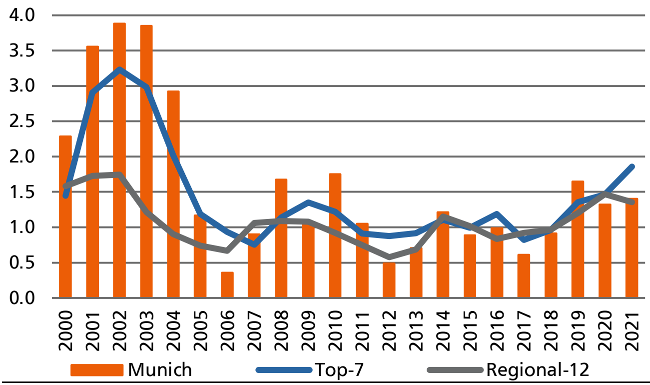
The Munich conurbation is one of the strongest economic regions in Germany. The fact that leading US IT giants Amazon, Apple, Google and Microsoft have established themselves there speaks for the location's potential. Strong growth means that the office market was just as tight as the housing market pre-Covid. The vacancy rate fell to 1.4 per cent in 2019, while prime rents rose to EUR 39.50 per m². In spite of a tight supply, take-up hit a high of around 750,000 m². However, the pandemic has thrown the market slightly out of kilter. There has been a marked increase in the vacancy rate to almost 4 per cent − a fact which can also be partly attributed to higher completions which amounted to a total of over 600,000 m² from 2019 to 2021. This is also likely to explain a rise in vacant space, above all of modern space. Take-up in 2020 fell to 415,000 m²; in 2021, though, it was already much improved at 530,000 m². This only included two five-digit transactions. The German register for patents and trademarks has leased 45,000 m² and Wacker Chemie around 18,000 m². A sharp increase in prime rents to EUR 41.50 per m² last year suggests that demand in the Munich office market remains buoyant. As new space is again expected to increase strongly in 2022 and 2023, vacancy rates – especially outside the city centre – could rise further. The prime rent should increase more moderately in 2022 after the strong rise.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

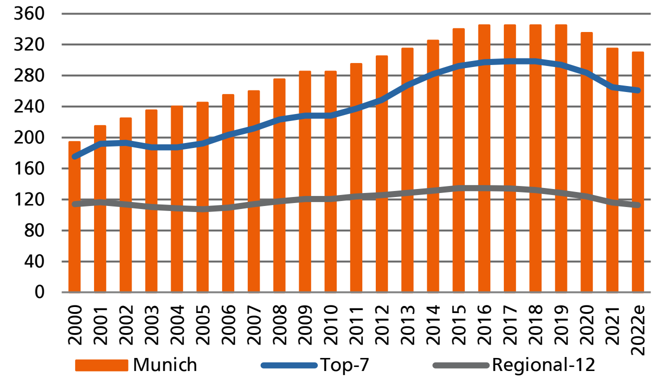
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

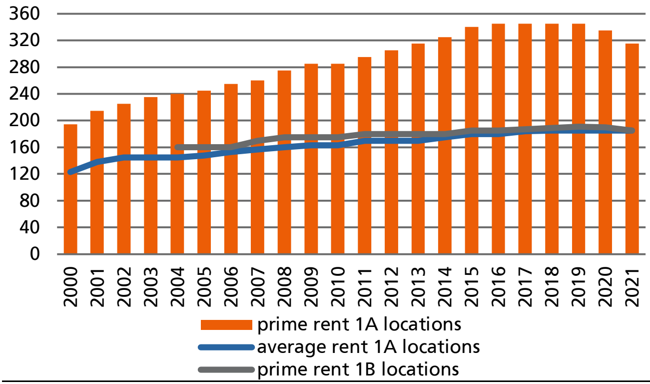
Retail space in Munich

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

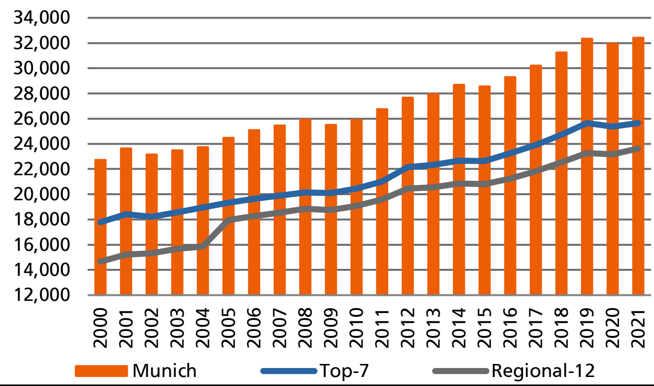


Source: bulwiengesa

Munich the only location where prime retail rents exceed EUR 300 per m²

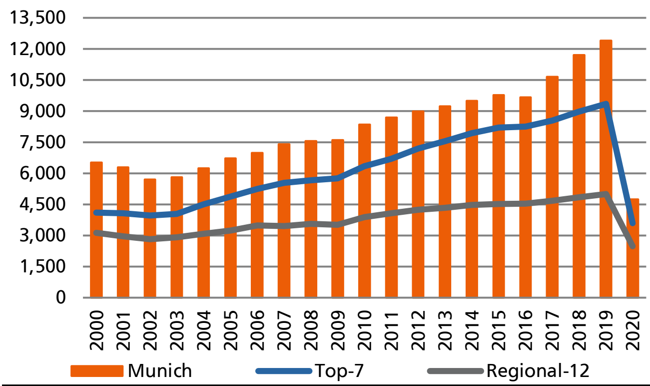
Munich is top of the leader board in the German retail sector for prime rents, purchasing power and retail-space productivity, reflecting conditions such as a buoyant economy and strong growth in the catchment area of around 3.2 million inhabitants. Another plus point is a great visitor experience in Munich's attractive city centre with its distinctive Bavarian feel and comprehensive range of shops, from mass-market retail concepts, old, family-run specialist stores to luxury goods shops. Munich also benefits from a flourishing tourist industry, not least in view of the world-renowned Oktoberfest. Prime rents have risen to the highest level in Germany, even though the city centre has quite a large stock of retail space of 0.5 million m². The highest rents are in the Kaufingerstraße, Neuhauser Straße and Maximilianstraße. In spite of having the highest store rents in Germany, the decline in prime rents has been limited with a fall of just under 10 per cent to EUR 315 from 2019 to 2021. In addition, average rents in prime and secondary locations have remained stable in Munich, unlike in many other city centres. Apart from the ubiquitous branch closures by large retail chains, a number of long-established stores also closed down during Covid. Prime rents are likely to dip further in 2022, but should remain above EUR 300 per m² – the exception in Germany. A larger project involves the revamp of the Karstadt building between the main station and Stachus, giving it back its original facade. An even larger project will be the forthcoming rebuilding of Munich's main railway station.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

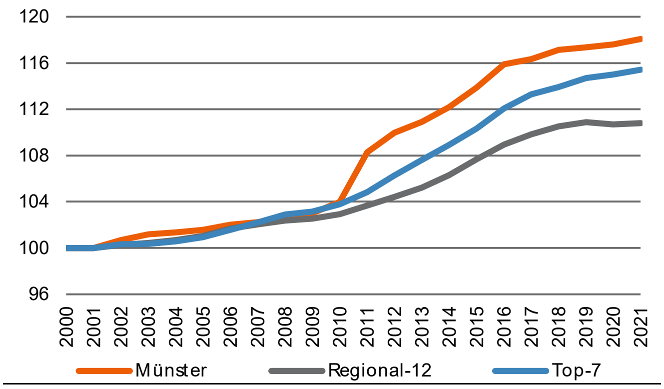
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

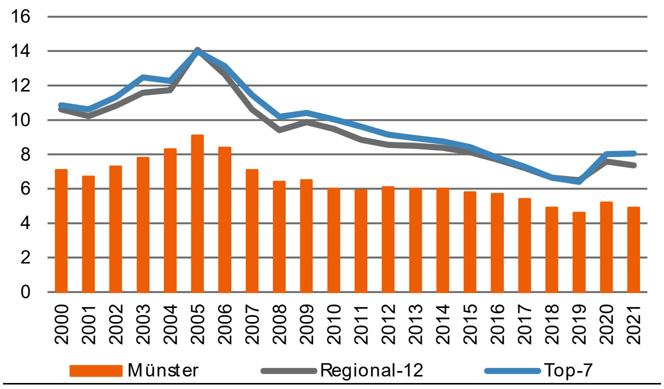
MÜNSTER

POPULATION (2000 = 100)



Source: Scope

UNEMPLOYMENT RATE (%)

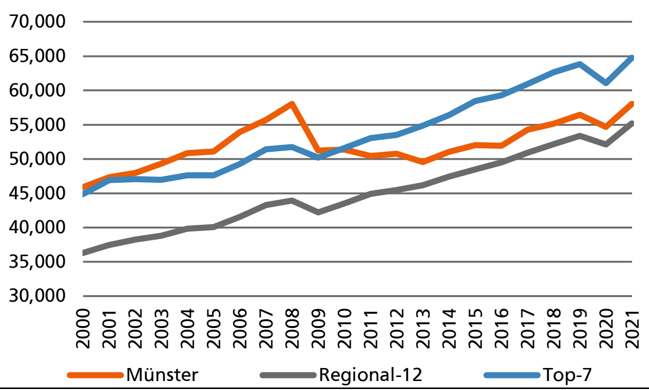


Source: bulwiengesa, BA (2021)

Fast-growing centre for science and technology with a flourishing SME-biased economy

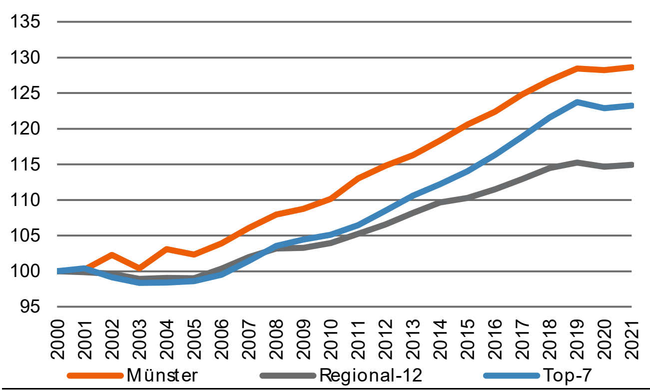
Unlike many towns in North Rhine-Westphalia, Westphalian Münster has not suffered from a dwindling population or high unemployment. On the contrary, in spite of further strong migration to the city, unemployment has fallen. The rate was down to just 4.3 per cent in December 2021 − an outstanding figure for a large city. Population growth has been even more impressive since Münster now has over 50,000 inhabitants more than 25 years ago. The biggest jump took place after 2010 with a rise from around 280,000 to 316,000 by 2020 − an increase of 13 per cent. Growth has slowed down, but is ongoing even though residential rents have reached quite a high level. Reasons for the continued influx are a high quality of life in the attractive city, a healthy labour market and Münster's importance as a centre for science and technology, as illustrated by its many research institutions and higher education institutions. Three quarters of the city's student population of almost 62,000 are enrolled at the Westfälische Wilhelms University. In contrast to the Ruhr region, industry and large companies hardly play any role at all. The local economy is mostly SME-based. The biggest employers include the Universe Hospital, the university itself and city administration. The most important companies are BASF Coatings, the paint manufacturer Brillux, insurer LVM and filter manufacturer Hengst. The city also has a flourishing tourism industry with visitors on city-breaks attracted to its quaint old town and well-known Prinzipalmarkt. Münster is also the administrative centre for the region of Westphalia which has around 8 million inhabitants.

GDP (IN EUR PER CAPITA)



Source: Scope

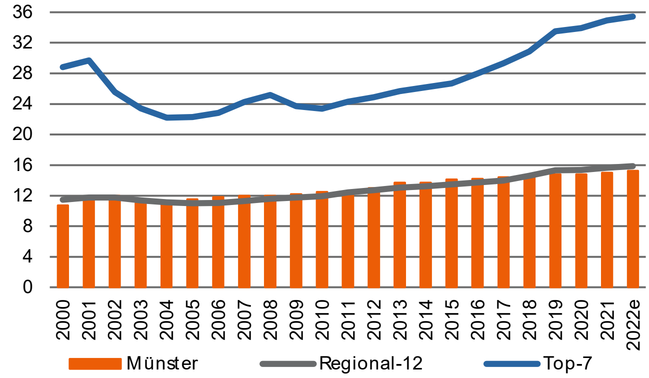
WORKING POPULATION (2000 = 100)



Source: Scope

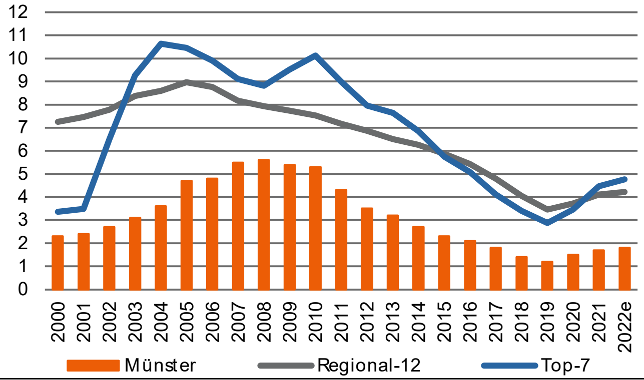
Office space in Münster

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

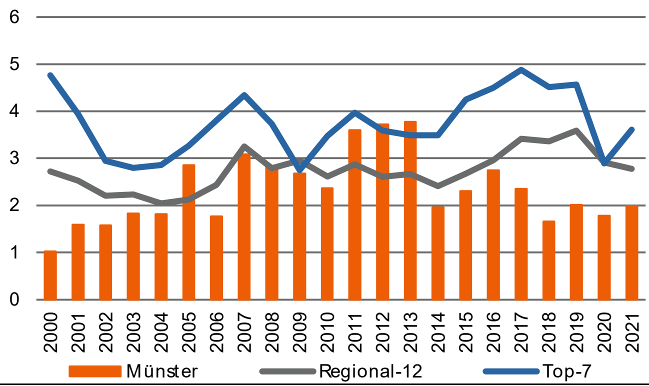


Source: bulwiengesa, DZ BANK forecast

Robust office market; supply remains tight

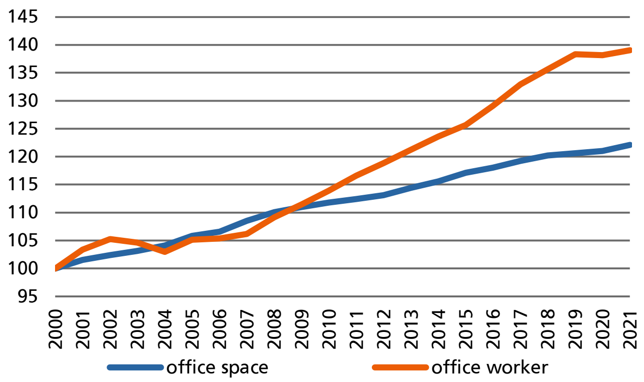
The office market in Münster enjoys high demand from the many educational institutions and administration bodies in the city. Moreover, there was a big increase in office work in the years prior to the pandemic. In contrast, the supply of office space has grown much more slowly − up 8 per cent to 2.3 million m² from 2011 to 2021. Like in other regional centres, speculative office development in Münster is rare. New space in 2019 and 2020 did not even make it to five figures, leading to a fall in the vacancy rate to just over 1 per cent in 2019. In spite of a marginal increase, the figure is still below 2 per cent. Supply of contemporary office space is set to remain tight in view of a rather low level of completions expected this year and next year. The quiet market also reflects a lack of supply from existing stock and only the odd project development. On average over the last five years, annual take-up was only just over 40,000 m². Take-up of 40,000 and 45,000 m² in 2020 and 2021 respectively was largely in line with previous-year results. The figure in 2021 included a large deal for over 14,000 m² – offices let to LWL. However, the market is mainly driven by smaller and medium-sized transactions. Prime rents are illustrative of stable market conditions with a consistently moderate rise to EUR 15 per m² most recently, and indeed the trend is likely to continue in view of persistently tight supply.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

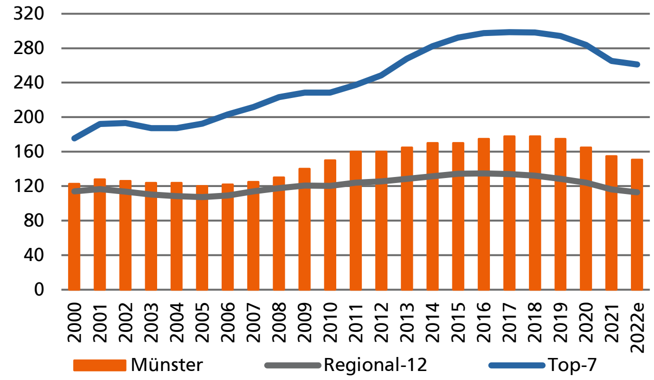
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

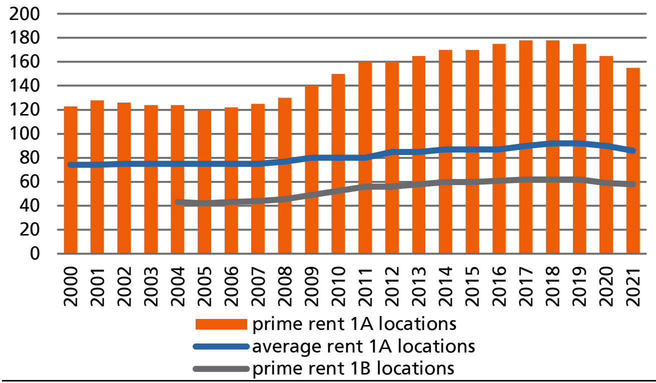
Retail space in Münster

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

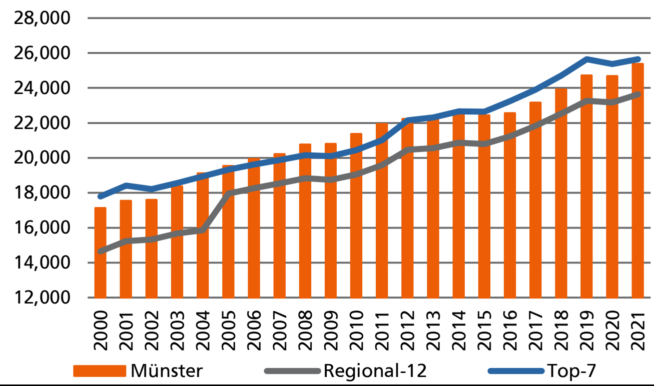


Source: bulwiengesa

Münster's city centre is one of the beacons in a battered retail landscape

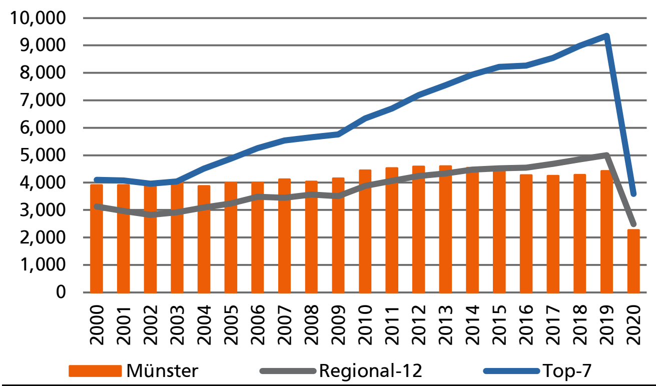
The impact of the pandemic for the retail sector in Münster is just as obvious as the loss of trade from online shopping. However, compared with the difficult situation in many other cities, Münster is still doing quite well since it has been spared the large number of empty stores which afflict many other town centres. The most obvious sign of the crisis in the retail sector is a marked fall in rents, and this is also in evidence in Münster. Prime rents have declined from a high of EUR 178 per m² in 2017/2018 to EUR 155 per m² most recently. However, this is still quite high. Apart from the top locations, only Dortmund and Hannover which have a much larger population have higher rents. The retail sector in Münster rests on solid foundations, including a 900,000-strong catchment area, quite high centrality and good purchasing power for a university town of 104 points. Population growth is also having a positive effect. Although visitor numbers have dwindled with the pandemic, they should recover quickly. Another plus point is an attractive city centre which provides a high-quality visitor experience. The city centre offers a broad range of shops with mass-market prime locations with the usual chain stores such as the Ludgeristraße, enhanced by family-run and more exclusive stores on the Prinzipalmarkt. The city also has a modern, city-centre shopping mall with the Münster Arkaden which opened in 2006. In spite of all these advantages, prime rents could dip slightly further this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

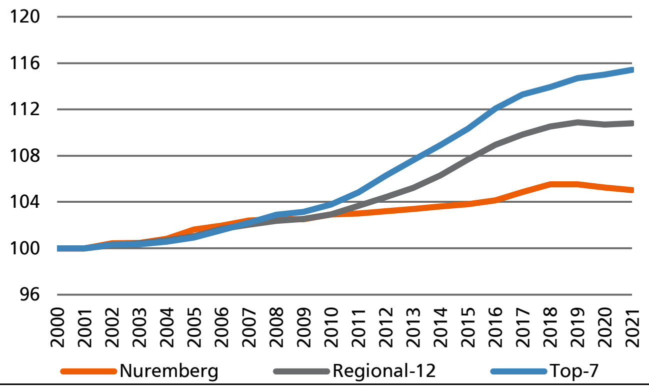
NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa

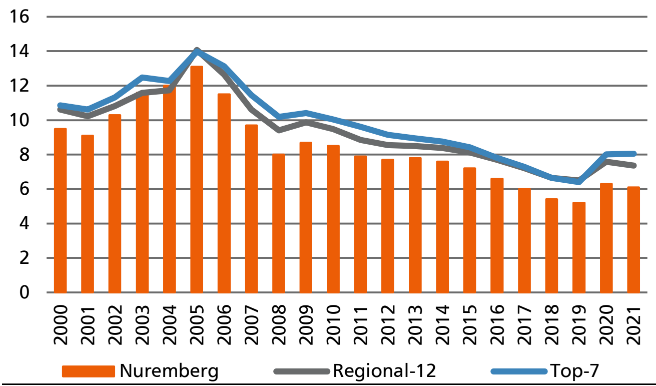
NUREMBERG

POPULATION (2000 = 100)



Source: bulwiengesa, Scope

UNEMPLOYMENT RATE (%)

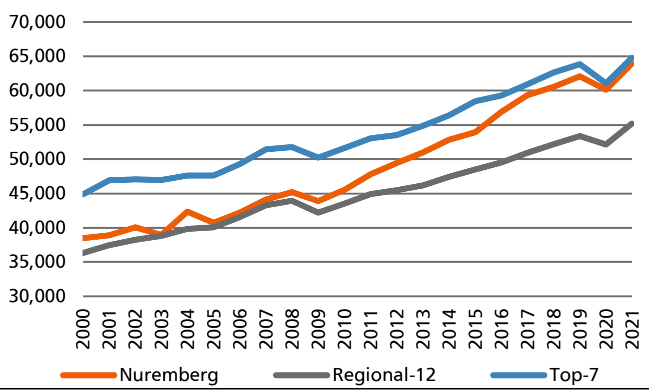


Source: bulwiengesa, BA (2021)

Bavaria's second largest city increasingly changing from industrial city to centre for science and technology

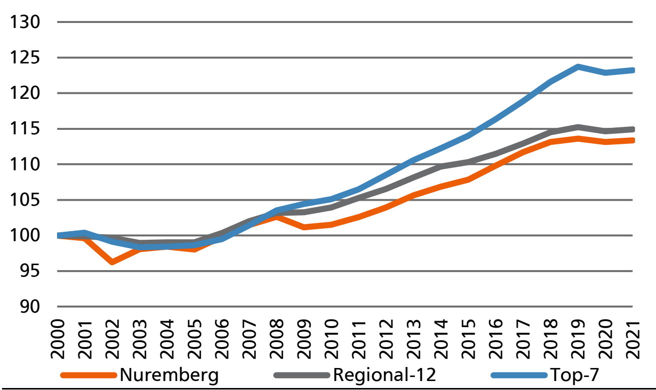
Nuremberg is the second largest city in Bavaria with almost 520,000 inhabitants and the economic and cultural centre of Franconia, forming an important economic region together with the neighbouring towns of Fürth and Erlangen. Nuremberg is known the world over for its old imperial palace, Christmas market and toy fair. From the 1970s onwards, the city's economy suffered from its structural change away from industry and as a result of company insolvencies and plant closures. However, Nuremberg has successfully overcome these challenges, leading to a positive trend for the economy and labour market. Even so, population growth in the last ten years has been moderate at around 2 per cent. Unemployment fell sharply up to 2019, but then rose slightly with Covid. Nevertheless, the rate is relatively low at 5.3 per cent (December 2021). The city's successful transformation has been helped by the fact that the Friedrich-Alexander University Erlangen-Nuremberg has also been based in Nuremberg since 1961. Today, Nuremberg is home to over a dozen higher education institutions with around 26,000 students. It also has the newly founded Technical University, which is due to open its doors in just a few years. In spite of the structural change, industry is still relatively important for Nuremberg. Major sectors are IT, logistics, high-tech along with energy and medical technology. Trade fairs, congresses and tourism are also major contributors to the local economy. There are outstanding transport links with the A3, A6 and A9 motorways, the ICE connection, an airport and port on the Main-Danube canal. Various larger city projects are currently underway, including the new Tiefes Feld quarter which will offer 1,200 flats.

GDP (IN EUR PER CAPITA)



Source: Scope

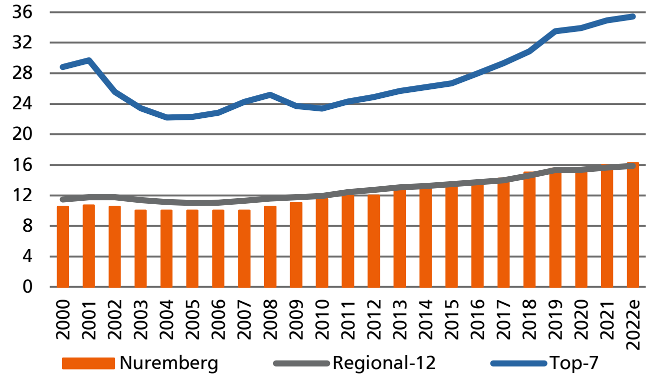
WORKING POPULATION (2000 = 100)



Source: Scope

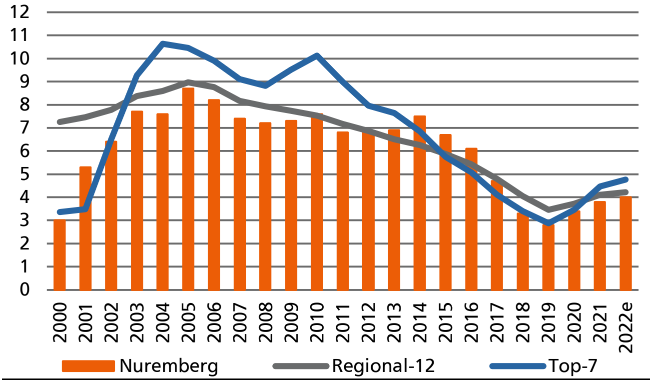
Office space in Nuremberg

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

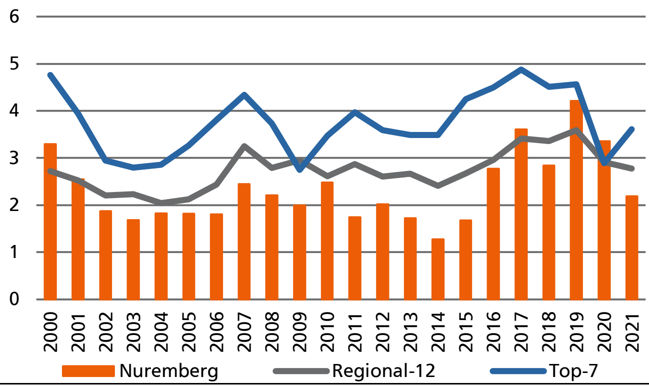


Source: bulwiengesa, DZ BANK forecast

Further increase in prime rents during the pandemic in Nuremberg's large office market

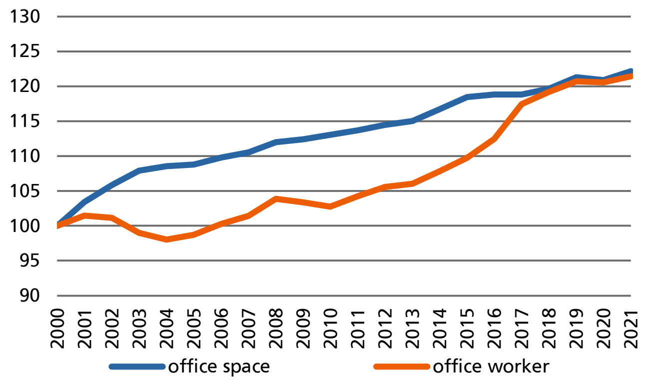
Nuremberg's office market ranks number nine in Germany with 3.7 million m² of space. Apart from the top seven locations, only Hannover has a bigger market. However, the office market in the Franconian metropolis is by no means oversized. Although there was a 7.5 per cent increase in office space from 2011 to 2021, this still lagged behind the increase in office work which rose by almost 17 per cent. This has led to a continuous decline in the vacancy rate to 2.8 per cent by 2019. There has been a market upturn in demand for office space in Nuremberg in the last few years. Whereas take-up ranged from 45,000 to 85,000 m² from 2001 to 2015, it was consistently in six figures between 2016 and 2020, in spite of the pandemic. Last year, however, it fell by one third year-on-year to 81,000 m², mainly in view of the absence of major deals which still made a significant contribution in 2020. In contrast, in 2021, the biggest transaction was in four figures at 6,700 m² let to the local tax authorities. The vacancy rate rose by one percentage point to a moderate 3.8 per cent against 2019. However, there has been no general weakness in the Nuremberg office market since prime rents rose further to EUR 16 per m² in 2021. A marked increase in new space is unlikely either this year or next year, and therefore attractive office space is set to remain a rare commodity. There could be a slight uptick in prime rents in 2022 since the vacancy rate should largely stagnate.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

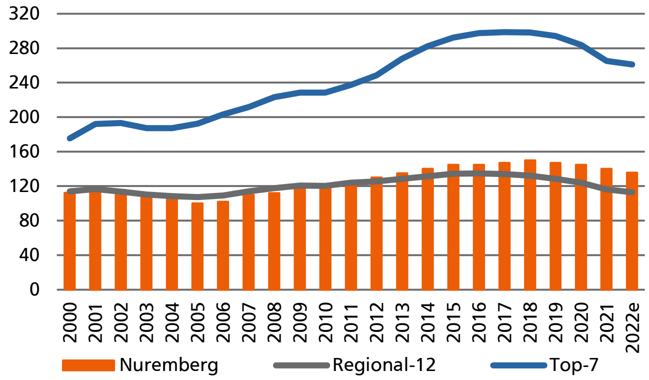
TREND IN OFFICE SPACE AND EMPLOYMENT (2000 = 100)



Source: Scope, bulwiengesa

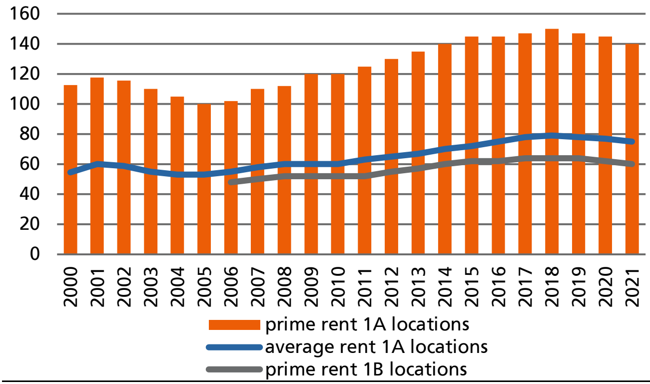
Retail space in Nuremberg

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

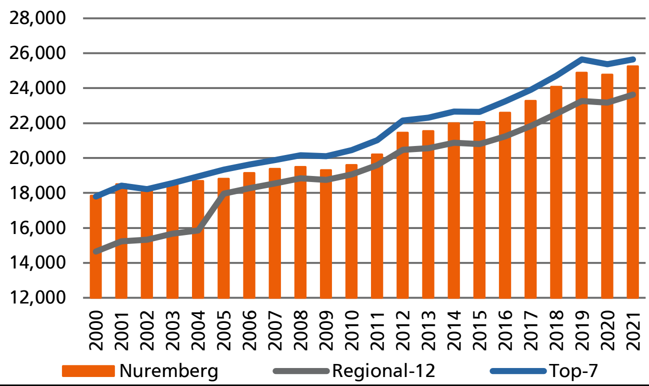


Source: bulwiengesa

Nuremberg city centre coping quite well with the pandemic

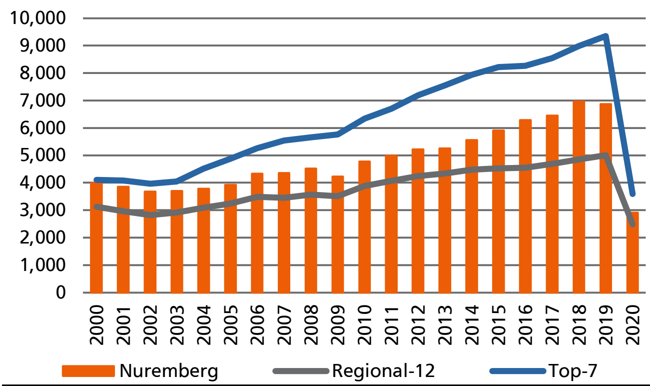
Nuremberg is the leading shopping destination in northern Bavaria with a catchment area of around 1.5 million inhabitants. Competition from the surrounding towns is limited, leading to a high centrality figure of almost 130 points. However, at 103 points, the purchasing power score is only slightly above the German average. Tourism, which was a major earner for the city's retail sector until the outbreak of the pandemic, should quickly recover. Moreover, the old town offers a high-quality visitor experience and circuit of the prime shopping locations. The Karolinenstraße has the highest footfall, highest degree of "high-street cloning" and highest prime rents. One positive factor for Nuremberg is a wide range of shops, including the more "hip" Gostenhof district. The Altstadt Karree which will eventually replace the 1950s City-Point shopping centre should also make the city centre more attractive. However, there has been little news about the project lately. Nuremberg does not have any other inner-city shopping mall. Outside the city centre, there is the Franken-Center and the Mercado. The closure of the Karstadt store near the Lorenzkirche has been averted. However, the impact of online shopping and the pandemic is also in evidence in Nuremberg's attractive city centre, even though it has been contained. Prime rents have fallen by only 7 per cent from their peak in 2018 to EUR 140 per m² most recently. The "City Offensive" aims to secure the town centre's future. The city authorities are actively backing the opening of pop-up stores as a short-term measure to avoid vacant premises. A further dip in rents is likely this year.

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)

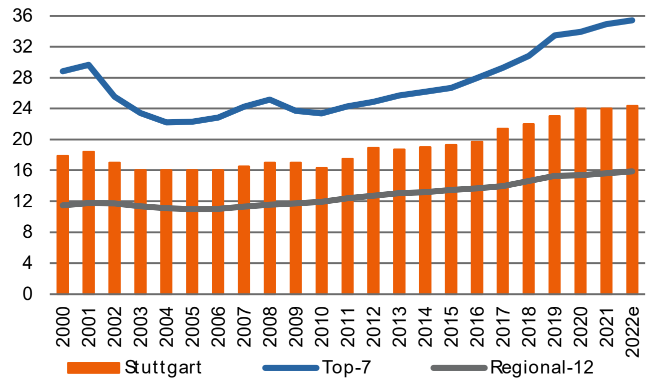


Source: bulwiengesa

STUTTGART

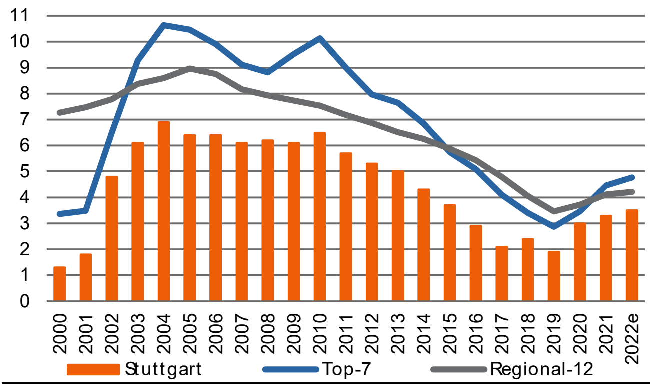
Office space in Stuttgart

PRIME OFFICE RENTS (IN EUR PER M²)



Source: bulwiengesa, DZ BANK forecast DZ BANK forecast

VACANCY RATE (%)

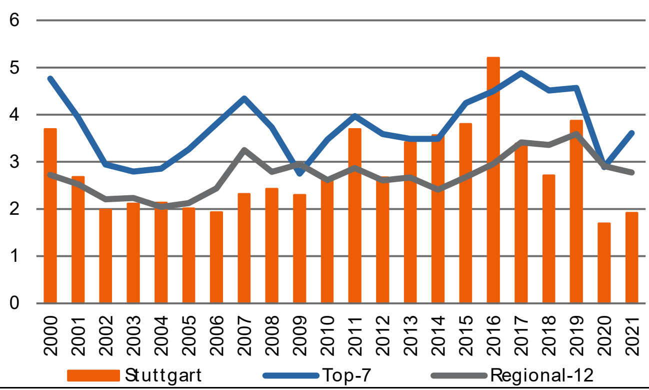


Source: bulwiengesa, DZ BANK forecast

Stuttgart office market has lost a lot of its pace during the pandemic

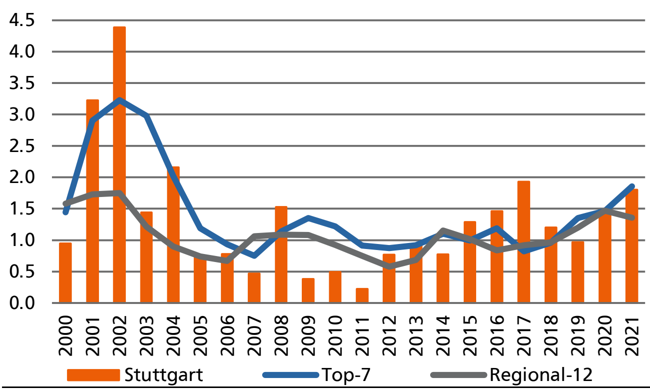
Stuttgart differs from the other top locations in view of the greater importance of industry. This is likely to explain a moderate office take-up of often under 200,000 m² per year up to 2010 in a market of just under 8 million m² in size. Since 2010, however, activity in the market has picked up. Take-up from 2011 to 2019 rose to an average of 275,000 m² per year. Strong demand for office space in the economically strong Stuttgart conurbation has led to a vacancy rate of just under 2 per cent and a rise in prime rents of 37 per cent to EUR 24 per m² from 2011 to 2021. In spite of this, though, Stuttgart is still the cheapest office market among the Top 7 after Cologne. There was a marked falloff in activity during the pandemic with take-up in 2020 slumping by over half to 135,000 m² and only a marginal recovery in the market to 155,000 m² in 2021. A lack of big deals in both years prevented a better result. The biggest transaction in 2021 was from the construction company Züblin which signed a lease for 10,000 m²; the second-largest deal though was only one third of that. The vacancy rate has risen by 1.4 percentage points to 3.3 per cent since 2019, reflecting not only a weak office market, but also a relatively strong level of completions. However, the amount of new space coming onto the market this year and above all in 2023 will be down and therefore the vacancy rate should hardly increase any further. Even so, there could be another uptick in prime rents.

TAKE-UP (AS % OF OFFICE STOCK)



Source: bulwiengesa

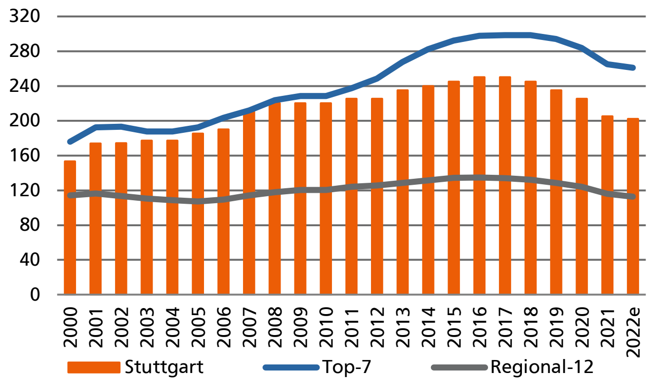
NEW OFFICE SPACE (AS % OF OFFICE STOCK)



Source: bulwiengesa

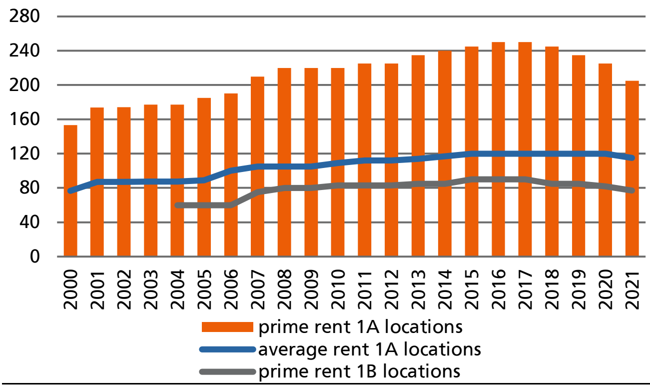
Retail space in Stuttgart

PRIME RETAIL RENTS (IN EUR PER M²)



Source: bulwiengesa, Scope, DZ BANK forecast

RETAIL RENTS PRIME/SECONDARY LOCATIONS (IN EUR PER M²)

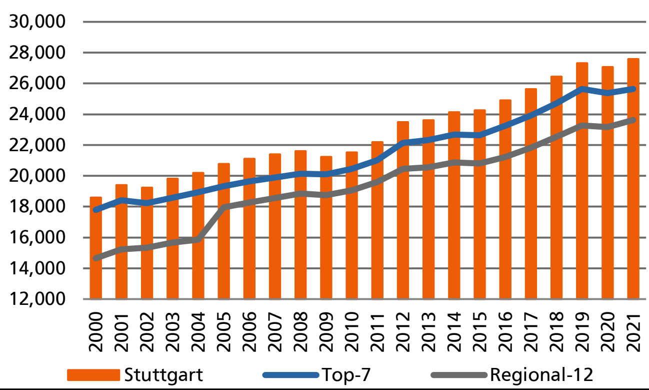


Source: bulwiengesa

Stuttgart's retail sector benefits from a large and affluent catchment area of 2.8 million inhabitants. In contrast, tourists as a shopper group is not quite as important as they are in other top locations. This means that the slump in the number of visitors in 2020 had less impact. Even so, prime rents in Stuttgart fell relatively sharply from 2019 to 2021, down by around 13 per cent to EUR 205 per m². The trend has been exacerbated by the fact that prime rents were already falling prior to the pandemic; they had fallen by 18 per cent against a high in 2016/2017. In contrast, the average rent in prime locations remained largely stable. Various factors explain the decline in prime rents, including major building sites, including work for the once-in-a-century Stuttgart 21or the Marktplatz. A more serious problem though is an increase in retail space. A high footfall and shortage of space in the prime Königstraße encouraged the development of large city-centre retail projects such as the MILANEO and Gerber shopping malls which offer a total of 60,000 m² of sales space. This led to an increase of over 20 per cent in the stock of retail space in the city centre in 2014. In response to lower demand from retailers, the Gerber is now being turned into a mixed-use space. Another larger project involves the decision by the city authorities to ban cars to make the town centre more attractive. However, prime rents are likely to continue to decline in view of ongoing problems weighing on the city centre's retail sector.

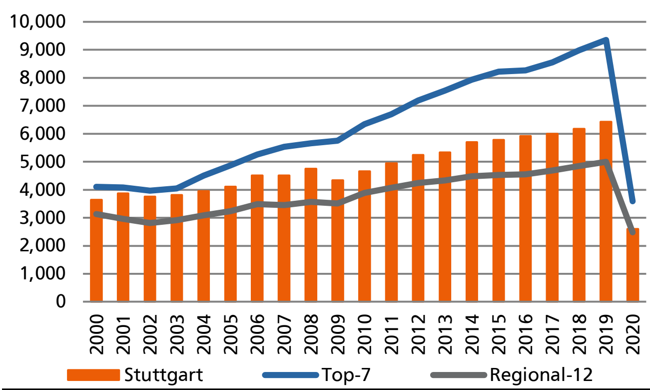
Prime retail rents in Stuttgart down by a fifth because of building cites, one shopping centre too many and Covid

PURCHASING POWER (IN EUR PER CAPITA)



Source: bulwiengesa

NO. OF OVERNIGHT STAYS (PER 1,000 INHABITANTS)



Source: bulwiengesa, Scope

LOCATIONS AT A GLANCE

STRUCTURAL DATA 2021

	Inhabitants '000	Inhabitants 2011-2021 (%)	GDP EUR m	Per Capita GDP EUR	Per Capita Disposable Income EUR/Year	Unemployment (%)
Augsburg	296	10.4	15,408	52,083	22,666	5.9
Bremen	565	4.3	30,639	54,218	24,186	10.2
Darmstadt	159	10.3	12,992	81,816	25,889	5.8
Dresden	557	8.7	23,391	41,982	22,442	6.1
Essen	584	3.2	26,623	45,617	22,600	10.7
Hannover	534	5.3	34,394	64,458	26,091	9.1
Karlsruhe	308	6.3	21,554	70,034	24,840	4.8
Leipzig	597	13.7	22,218	37,207	21,212	7.3
Mainz	217	8.4	13,030	60,052	24,463	5.7
Mannheim	310	7.0	22,085	71,227	24,170	7.2
Münster	316	9.0	18,333	58,028	25,841	4.9
Nuremberg	516	2.0	32,984	63,925	25,082	6.1
Regional centre mean	**413**	**6.9**	**22,804**	**55,194**	**23,865**	**7.4**
Total	*4,958*		*273,652*			
Berlin	3,675	11.5	152,666	41,547	22,973	9.8
Cologne	1,090	8.3	67,939	62,349	25,021	9.3
Düsseldorf	621	6.0	53,174	85,576	29,205	7.9
Frankfurt	771	15.2	74,626	96,842	25,344	6.6
Hamburg	1,850	8.2	127,023	68,646	27,508	7.5
Munich	1,494	10.7	120,747	80,797	34,560	4.8
Stuttgart	633	7.9	60,446	95,528	28,644	5.1
Top location mean	**1,448**	**10.1**	**93,803**	**64,796**	**26,647**	**8.0**
Total	*10,134*		*656,621*			

Source: Scope, BA

OFFICE SPACE

	Total Office Stock 2021 Data			Prime Rent EUR/m²			Prime Rent (% year)			Vacancy Rate (%)		
	'000 m²	2010 to 2020 (%)	per Office Worker in m²	2020	2021	2022e	2020	2021	2022e	2020	2021	2022e
Augsburg	1,470	9.6	26.2	13.2	13.5	13.7	0.0	2.3	1.1	4.2	3.7	3.9
Bremen	2,740	9.7	24.3	13.1	13.5	13.7	-0.8	3.1	1.5	4.2	4.1	4.2
Darmstadt	1,642	7.0	30.1	13.2	13.4	13.6	0.0	1.5	1.5	3.7	4.1	4.3
Dresden	3,048	0.9	27.1	16.0	16.2	16.4	6.7	1.3	1.2	2.7	2.9	3.0
Essen	3,166	8.7	30.6	16.0	16.5	16.8	1.9	3.1	1.5	4.0	6.2	6.0
Hannover	4,646	2.9	34.7	17.0	17.0	17.3	-5.6	0.0	1.8	3.3	4.0	4.5
Karlsruhe	2,614	14.3	29.4	14.5	14.6	14.7	0.0	0.7	1.0	3.7	3.7	3.8
Leipzig	2,793	0.7	26.9	16.5	17.0	17.3	7.8	3.0	1.5	6.1	5.7	5.5
Mainz	1,690	7.5	32.0	14.3	14.5	14.8	-1.4	1.4	1.7	3.0	2.8	3.0
Mannheim	2,186	12.8	28.2	16.8	17.0	17.0	0.0	1.2	0.0	5.1	5.8	5.5
Münster	2,263	8.6	29.2	14.8	15.0	15.3	0.0	1.4	1.7	1.5	1.7	1.8
Nuremberg	3,705	7.5	28.9	15.5	16.0	16.2	0.0	3.2	1.5	3.4	3.8	4.0
Regional centre mean	**2,664**	**6.8**	**29.0**	**15.4**	**15.6**	**15.9**	**0.4**	**1.8**	**1.4**	**3.7**	**4.1**	**4.2**
Total	*31,963*											
Berlin	20,300	10.0	31.1	39.0	40.5	41.0	0.0	3.8	1.2	1.8	3.2	3.7
Cologne	7,866	5.2	29.5	24.5	25.0	25.5	0.0	2.0	2.0	2.8	3.3	3.6
Düsseldorf	7,784	5.8	35.6	26.5	26.5	26.9	0.0	0.0	1.5	6.5	7.3	7.5
Frankfurt	10,187	-0.7	31.9	41.0	42.0	42.5	0.0	2.4	1.2	6.8	8.2	8.5
Hamburg	13,968	5.1	30.4	31.0	31.5	32.0	6.9	1.6	1.6	3.5	3.9	4.3
Munich	14,261	4.7	30.7	39.5	41.5	42.0	0.0	5.1	1.2	2.3	3.9	4.0
Stuttgart	8,088	8.6	38.2	24.0	24.0	24.4	4.3	0.0	1.5	3.0	3.3	3.5
Top location mean	**11,779**	**5.8**	**31.8**	**33.9**	**34.9**	**35.4**	**1.3**	**2.9**	**1.5**	**3.5**	**4.5**	**4.8**
Total	*82,454*											

Source: bulwiengesa, Scope, DZ BANK forecast

Means are space-weighted. The **prime rent** indicated by bulwiengesa represents the mean of the three top three to four per cent of the rental market, which means that the prime rent given is not the same as the absolute top rent. For this reason, the higher rent figures for individual locations, some of which are quoted in alternative market reports, are fundamentally not contradictory.

RETAIL SPACE

	Total Retail Space 2021 Data			Rent in Prime Location in Euro/m²			Change to Rent (% yoy)			Retail Rent 2021 Data		
										EUR/m²		
	'000 m²	2011 to 2021 (%)	per Capita in m²	2020	2021	2022e	2020	2021	2022e	Prime Rent	Average Rent	Prime Rent
										Prime Loca-tion	Prime Loca-tion	Sec-ondary Loca-tion
Augsburg	964	7.0	3.3	105	95	92	-2.8	-9.5	-3.0	95.0	47.0	26.0
Bremen	1,608	22.2	2.8	125	115	112	-3.8	-8.0	-2.6	115.0	78.0	36.0
Darmstadt	393	6.1	2.5	91	85	82.5	-3.2	-6.6	-3.0	85.0	47.5	40.5
Dresden	1,080	9.1	1.9	100	95	92	-4.8	-5.0	-2.6	95.0	57.0	37.5
Essen	886	10.2	1.5	87	78	75.5	-7.4	-10.3	-3.2	78.0	67.0	29.5
Hannover	953	4.5	1.8	180	175	171	-2.7	-2.8	-2.3	175.0	145.0	75.0
Karlsruhe	584	16.3	1.9	91	85	82.5	-5.2	-6.6	-2.9	85.0	57.0	36.5
Leipzig	802	28.3	1.3	120	110	107	-4.0	-8.3	-2.7	110.0	51.0	39.5
Mainz	525	18.0	2.4	100	95	92.5	-3.8	-5.0	-2.6	95.0	52.0	40.0
Mannheim	847	10.9	2.7	140	130	126	-2.1	-7.1	-3.0	130.0	85.0	37.0
Münster	657	14.4	2.1	165	155	151	-5.7	-6.1	-2.6	155.0	86.0	58.0
Nuremberg	1,325	14.1	2.6	145	140	136	-1.4	-3.4	-3.0	140.0	75.0	60.0
Regional centre mean	**885**	**13.4**	**0.0**	**123.9**	**116.1**	**112.8**	**-3.6**	**-6.3**	**-2.8**			
Total	*10,624*											
Berlin	7,280	24.1	2.0	290	270	266	-3.3	-6.9	-1.5	270.0	93.0	125.0
Cologne	1,423	1.9	1.3	245	225	221	-3.9	-8.2	-1.8	225.0	120.0	80.0
Düsseldorf	1,255	5.0	2.0	280	275	271	-1.8	-1.8	-1.5	275.0	125.0	80.0
Frankfurt	1,542	8.6	2.0	290	275	271	-3.3	-5.2	-1.5	275.0	115.0	82.0
Hamburg	3,064	5.8	1.7	270	250	246	-5.3	-7.4	-1.6	250.0	135.0	70.0
Munich	2,184	14.2	1.5	335	315	310	-2.9	-6.0	-1.6	315.0	185.0	185.0
Stuttgart	1,148	17.8	1.8	225	205	202	-4.3	-8.9	-1.5	205.0	115.0	77.0
Top location mean	**2,557**	**14.3**	**0.0**	**283.6**	**265.1**	**261.1**	**-3.6**	**-6.5**	**-1.5**			
Total	*17,897*											

Source: bulwiengesa, Scope, DZ BANK forecasts

Means are space-weighted. The **prime rent** indicated by Bulwiengesa represents the mean of the three top three to four per cent of the rental market, which means that the prime rent given is not the same as the absolute top rent. For this reason, the higher rent figures for individual locations, some of which are quoted in alternative market reports, are fundamentally not contradictory.

GLOSSARY

Take-up — Office space in a specific location newly occupied through letting or owner-occupation during a one-year period. This does not include contract extensions. Take-up is counted from the time of signing of the transaction rather than the time the new occupant actually moves in.

Completions — Newly built office space completed in the respective year.

Vacancy rate — Proportion of vacant office space in the respective location in relation to the stock.

Purchasing power index — Purchasing power is relevant for the retail sector since it defines the disposable income of households, i.e. their ability to buy products and services. The purchasing power score measures the financial ability to buy goods and services in a specific location in relation to the German-wide average which is set at 100 points.

Net initial yield — The initial rental yield for office and retail space is the ratio of net annual rental income and total purchase price, taking into account expenses.

Reg 12/Regional 12 — Space-weighted index made up of the 12 regional centres analysed in this report, namely Augsburg, Bremen, Darmstadt, Dresden, Essen, Hanover, Karlsruhe, Leipzig, Mainz, Mannheim, Münster and Nuremberg.

Prime rent — The prime rent represents a mean of the top 3-5 per cent of all lettings in a market, and the figure given is therefore not the absolute top rent realised.

Top 7 — Space-weighted index made up of the top seven locations, namely Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart.

Centrality index — Centrality is calculated by dividing retail sales in a location by purchasing power relevant to that location multiplied by 100. A figure of more than 100 points indicates that retail sales are higher than the relevant purchasing power and the location therefore attracts additional purchasing power.

Source: bulwiengesa, DZ BANK

I. Imprint

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