

Market survey

Commercial | Office letting



2020/Q1-4
Hamburg





Key Facts Office letting

 340,000 m²	-37.6% year-on-year change
 30.50 €/m²	+3.4% year-on-year change
 17.50 €/m²	-1.1% year-on-year change
 3.5%	+0.6 pp year-on-year change
 13.9m m²	+0.7% year-on-year change

pp = percentage point

 Take-up of space  Prime rent mth (net)  Average rent mth (net)  Vacancy rate  Office stock

"Although vaccinations have started, the situation remains difficult. Many firms continue to act with caution. Nevertheless, a kind of "new normal" has emerged. Viewings now take place, but people observe social distancing and wear a mask." Andreas Rehberg | Managing director

Take-up of space

Spread of infection determines the market for office letting

From the start of the 2nd quarter of 2020 business on Hamburg's office-letting market was dominated by the economic impact of the coronavirus pandemic. The spread of infection was the factor dominating office letting in the year 2020. Although it revived somewhat in the 4th quarter to some 90,000 m², the total annual take-up fell by around 40% year on year. Overall some 340,000 m² was let or taken by an owner-occupier. Owner-occupiers accounted for 6% (about 22,000 m²) of take-up, well below their 13% share (about 69,900 m²) the year before.

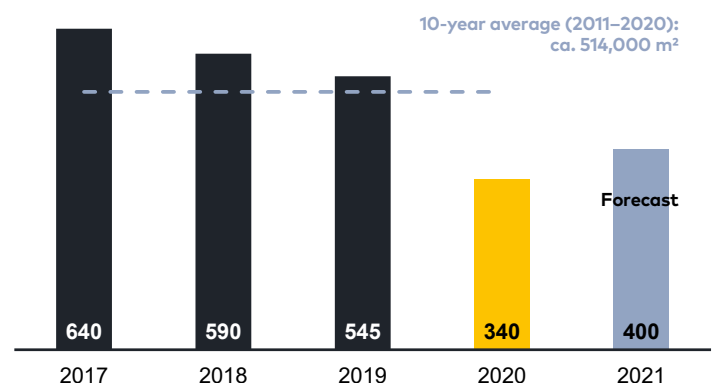
Above all, two agreements for premises sized over 5,000 m², the biggest transactions in 2020, ensured a relatively good result for the last quarter of the year. In December Hamburg Commercial Bank (HCOB) sold its headquarters building at Gerhart-Hauptmann-Platz 50 in Hamburg's city centre to the SIGMA Group. In the context of this sale a rental agreement for some 11,000 m² in the projected new 245-metre-high landmark "Elbtower" was signed. HCOB also secured an option for a further 2,000 m². The second-largest rental agreement was

for some 9,000 m² in Bahrenfeld sub-market, signed by a well-known consumer goods company. Company managers chose space off-plan in the "ferro22" development at Stahlthiwe 22. The move is scheduled for autumn (fall) 2022.

Compared with 2019 take-up of space in the over 5,000-square-metre segment was appreciably lower. It fell from 28% of the market (about 153,000 m²) to 16% (about 56,000 m²). The largest amount of take-up was in the size segment 501 to 1,000 m², which accounted for a share of 23% (78,000 m²). Some 500 agreements in total were completed in 2020, a year on year decline of 15%.

Take-up of space

2017-2021 | in 000s m² | incl. owner-occupiers



Source: Grossmann & Berger GmbH

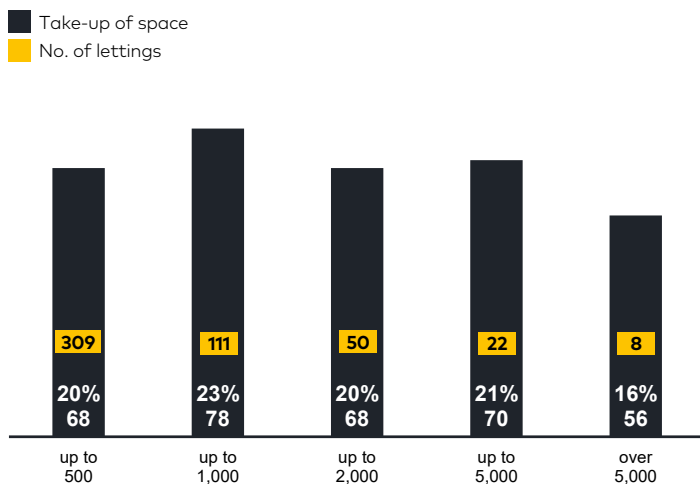
Selected top contracts
2020/Q1-4

- 1. Hamburg Commercial Bank | HafenCity**
"Elbtower" | Zweibrückenstrasse | ca. 11,000 m²
- 2. Manufacturer consumer goods industry | Bahrenfeld**
"ferro22" | Stahlwiete 22 | ca. 9,000 m²
- 3. Hamburg Verkehrsanlagen | Wandsbek**
Am Neumarkt 40 | ca. 6,800 m²
- 4. HANSAINVEST Hanseatische Investment | City Nord**
"Oval Office" | Überseering 10 | ca. 6,000 m²
- 5. Wärtsilä SAM Electronics | Altona**
Behringstrasse 120 | ca. 5,900 m²



Take-up of space

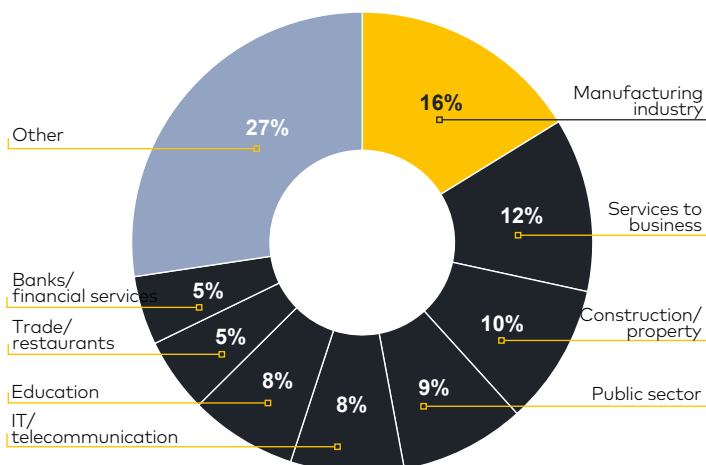
2020/Q1-4 | in 000s m² | by size and no. of lettings



Source: Grossmann & Berger GmbH

Take-up of space

2020/Q1-4 | by industry



Source: Grossmann & Berger GmbH

Once again City was the strongest sub-market. Its share of take-up was unchanged at 24%, but the year-on-year result fell from 132,700 to 81,900 m². Power supplier RWE signed the biggest new lease in the city centre, taking 5,700 m² at Drehbahn 47-48. The biggest 4th-quarter lease in the district was signed by the international law firm Allen & Overy for some 2,600 m² of space in the "Ballinhof" (Ballindamm 17). Only five agreements were signed for more than 2,000 m² of space in the City district in 2020, whereas in 2019 the figure was 14. Consultancies comprised the major group of new tenants in the City. The second-strongest sub-market was City South, which increased its 2019 share of the market from 11% (60,700 m²) to 15% (52,100 m²). However, no leases for large amounts of space were signed in 2020. The biggest new lease in this sub-market was for about 5,000 m² in "City Tor" (Heidenkampsweg 99-101) signed in the 3rd quarter by SGS, a technical inspection service. Bahrenfeld placed third with 13% of take-up, although in terms of year on year growth it was the most successful sub-market, with take-up rising from 15,400 m² to 43,100 m². Two leases for large amounts of space played a role here. One was the decision of a consumer goods manufacturer to take space in "ferro22" (about 9,000 m²) and the other was the agreement signed by Wärtsilä SAM Electronics for some 5,700 m² at Gasstrasse 18.

In 2020 companies in the manufacturing sector proved to be a mainstay of the market. On their own the large agreements - one signed by the consumer goods manufacturer, the leases concluded by Wärtsilä in Bahrenfeld and Altona plus the RWE contract - add up to 26,500 m². In the 4th quarter a new lease for 4,700 m² of space (Tropowitzstrasse 5, Eimsbüttel) signed by construction materials manufacturer Holcim was a further boost. Manufacturing firms thus accounted for 16% of the market (about 55,100 m²), followed by consultancies with some 12% (about 41,400 m²) and the construction and real estate industry with some 10% (about 33,600 m²). This wide distribution of turnover illustrates how diversified Hamburg's economy is, a feature that has often proved beneficial in times of crisis.

Rents

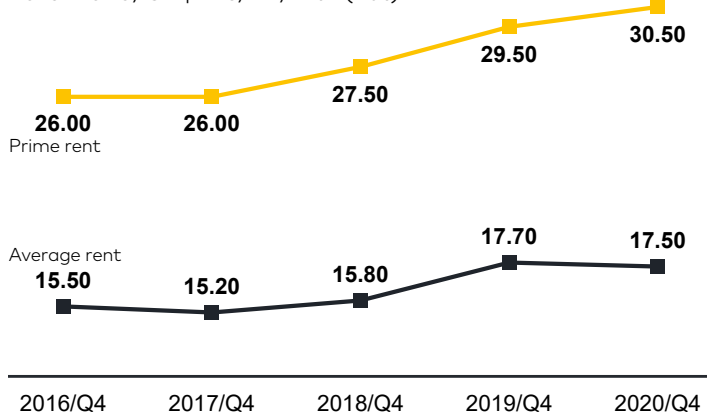
Prime rates top 30-euro mark

From the 2nd quarter of 2020 the prime rent (that paid for the most expensive 3% of newly let space in the past twelve months) remained stable and higher than 30 euros. Year on year the prime rent thus grew by 3.4%. The average rent, however, softened by 20 cents, dropping by 1.1% to € 17.50/m²/month.

Several agreements for large premises in central locations could not be included at the end of the 3rd quarter in the figures used to calculate average rents. It was not possible to completely offset this volume by the end of the year due to the impact of the coronavirus pandemic on take-up. Some market players had predicted a dramatic slump in rental rates, but this has not proved to be the case in Hamburg. However, potential tenants now have more scope to negotiate incentives.

Prime and average rent

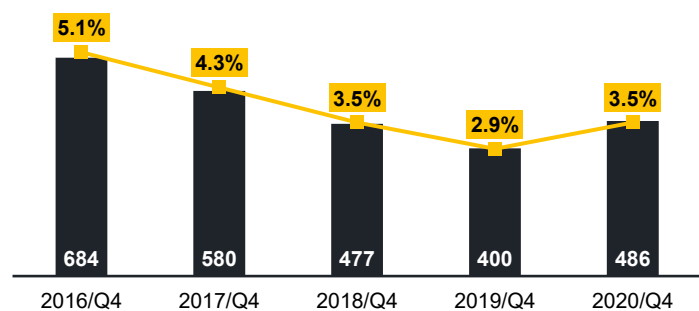
2016–2020/Q4 | in €/m²/mth (net)



Source: Grossmann & Berger GmbH

Vacant space | Vacancy rate

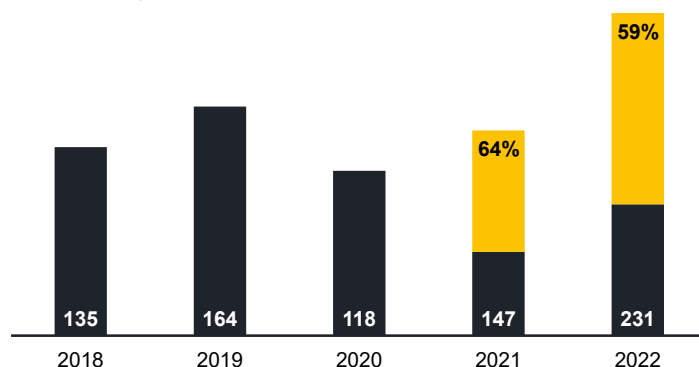
2016–2020/Q4 | in 000s m²



Source: Grossmann & Berger GmbH

Completions | Pre-let rate

2018–2022 | in 000s m²



Source: Grossmann & Berger GmbH

Available and vacant space

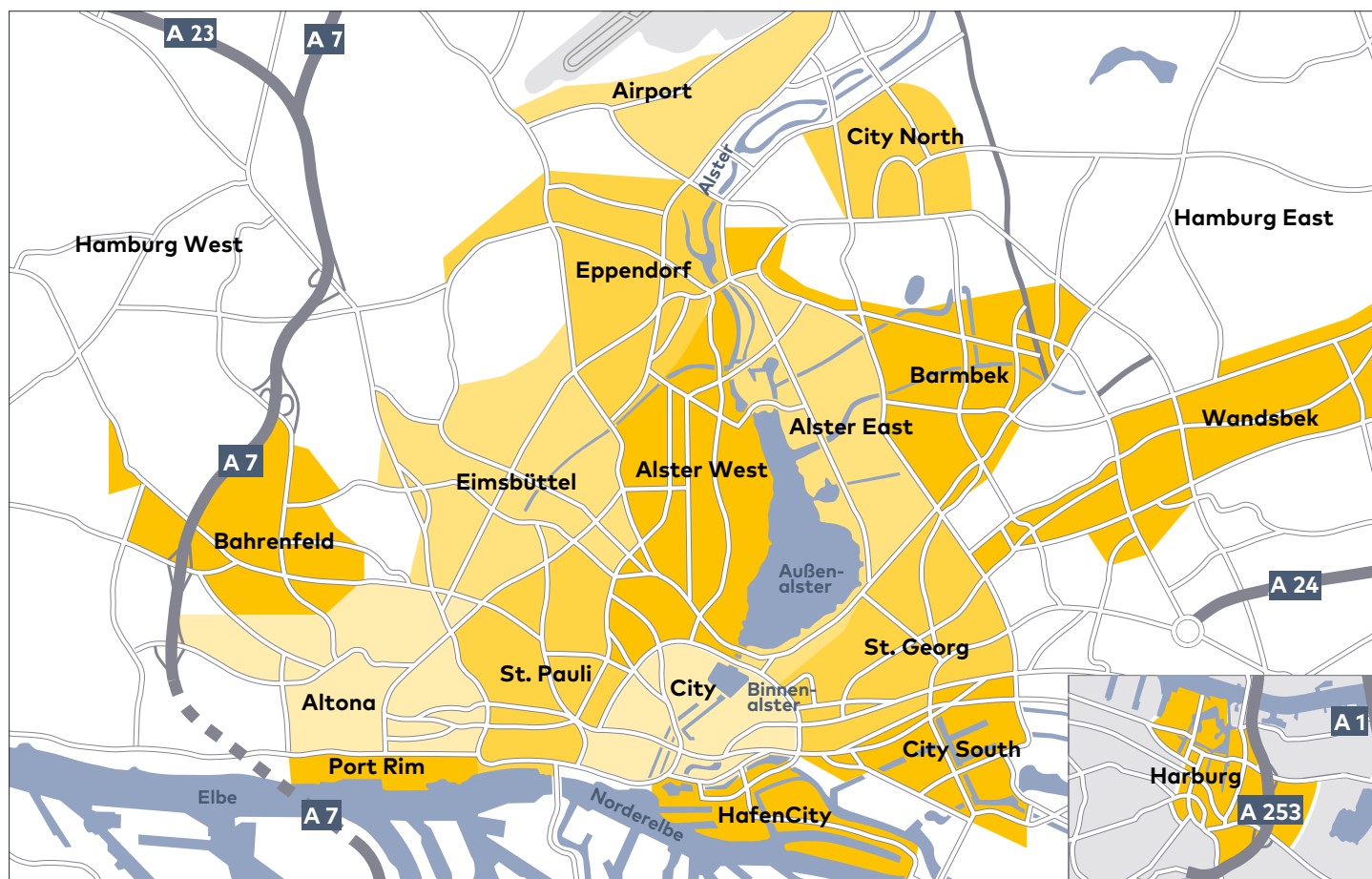
Delayed building completions

On the supply side, the situation has eased. From its level of 2.9% in 2019, a reflection of the shortage of space in that year, the vacancy rate has climbed to 3.5%. Year on year the amount of space available within six months* rose by some 85,600 m² to around 486,000 m² (+21.4 %). Unless there is a marked rise in take-up of space, further growth in the range of available properties is to be expected in 2021. It would appear now that the amount of office space available within the short term* may rise to some 600,000 m² by the end of the year. The vacancy rate would thus increase to 4.3%.

Both the first lockdown in spring and the second lockdown in autumn led to delays to many construction projects and thus to postponed dates for completion. The figure for completions in the years 2021 and 2022 is expected to be some 378,000 m² of space in 31 developments. More than half - 61% - of the space has been pre-let (about 231,000 m²). The focus of building activity is in two sub-markets; East posts 27% of the building volume (about 101,000 m², 7 developments) and City 23% (about 87,000 m², 6 developments). Offering 45,000 m² of office space, the biggest completion in 2021 will be the Beiersdorf headquarters in Eimsbüttel district. In 2022 the biggest building completion will probably be the OTTO GOeast conversion project which will deliver some 40,000 m² of space to the online trading firm Otto at Werner-Otto-Strasse 1-7 in Hamburg Bramfeld (East sub-market).

* The definition of vacant at short notice has been altered. Vacancies now include all office space that is available to new tenants within six months. Because trade firms have full order books, it is generally no longer possible to have the premises fitted out within three months.

Overview of office sub-markets Hamburg
2020/Q1-4



Sub-market	Take-up of space in m ² incl. owner-occupiers	Vacant space in m ²	Vacancy rate in %	Rents paid longer-term in €/m ² /mth (net)	Average rent in €/m ² /mth (net)	Completions 2020/2021 in m ²
1 City	81,900	94,800	3.2	12.00 – 35.00	23.20	87,000
2 HafenCity	33,200	29,200	5.3	16.20 – 30.00	24.90	26,000
3 Port Rim	5,800	15,800	7.4	13.50 – 25.00	21.80	0
4 Alster West	800	3,000	0.6	20.00 – 20.50	20.70	0
5 Alster East	9,600	4,500	1.4	11.50 – 24.00	18.30	0
6 St. Georg	6,500	20,400	4.6	13.50 – 20.00	15.40	5,000
7 City South	52,100	63,000	3.7	8.00 – 17.50	13.10	11,000
8 St. Pauli	6,400	4,800	1.1	8.00 – 27.00	20.10	0
9 Altona	21,900	12,800	1.7	10.00 – 17.30	15.00	0
10 Bahrenfeld	43,100	72,900	15.3	8.00 – 16.90	14.40	22,000
11 Eimsbüttel	4,800	15,100	6.9	8.00 – 15.60	11.30	65,000
12 Eppendorf	7,700	15,800	5.0	13.00 – 16.50	14.80	4,000
13 Airport	5,200	23,300	2.7	7.60 – 16.00	12.20	0
14 City North	7,200	17,900	3.1	13.00 – 16.00	15.60	25,000
15 Barmbek	4,600	10,100	1.7	9.50 – 16.50	12.30	0
16 Wandsbek	13,600	38,300	6.2	8.50 – 12.00	8.90	21,000
17 Harburg	9,900	14,500	1.5	7.50 – 13.60	11.00	11,000
18 Hamburg East	18,500	20,700	2.1	6.00 – 15.00	11.20	101,000
19 Hamburg West	7,200	9,100	2.1	8.50 – 15.00	11.50	0
Total	340,000	486,000	3.5	6.00 – 35.00	17.50	378,000

Outlook

Strict lockdown slows recovery that started in the last quarter

The labour market is still firmly in the grips of the coronavirus pandemic. The rates at which infections have risen and the partial lockdown imposed in November compound the uncertainties for business managers. Nevertheless, in December there was a slight decrease in the number of jobless in Hamburg. According to figures from the Federal Labour Agency some 82,400 people had no regular job, or 600 fewer than in November. However, year on year the number of unemployed rose by 28.5% in the wake of the coronavirus pandemic. The unemployment rate is now 7.7% compared with 6.0% in December 2019. Nationwide, Germany's jobless rate was 5.9% in December. The ifo Institute detects a tiny downturn in the German labour market. In December the employment barometer sank to 95.5 points, down from 96.7 in November. However, huge differences exist from sector to sector. Whereas construction firms and service providers, above all IT companies, plan to hire more staff, managers in the travel and hospitality industries still plan to cut payrolls. By contrast the ifo index of business confidence rose from 90.7 points in November to 92.1 in December. The partial lockdown in place since November has stalled the moderate V-shaped recovery anticipated by the World Economy Institute (HWWI). Despite this development the Institute still expects 2020 to close with economic contraction of 5.0%. However, their experts have revised the growth forecast for 2021 downward. Assuming that the number of new cases falls significantly and

vaccinations become more widely available, growth should be 4.0%. In 2022 growth of 2.5% is forecast and a return to growth rates seen prior to the crisis.

Take-up of space

Starting at the end of 2020, the coronavirus vaccinations offer a ray of hope. In view of the current rate of infection and the resultant uncertainty about the future of the economy, many firms remain reluctant to take decisions about renting new premises. The first half of 2021 will thus remain difficult, and recovery is not expected to start until the middle of the year. The annual take-up of space in 2021 will thus in all likelihood be greater than the total for 2020.

Rents

The premium rent is expected to stabilize at its current high rate during the year just started. A general reluctance to commit to higher-priced office space could lead to a lower average rent in the course of the year. It is also to be expected that "reasonable" sub-tenancy contracts will impact pricing.

Available space

All the signs point to an increase in the amount of office space available. By the end of the year the vacancy rate is likely to be above the 4-per-cent mark.



"IPANEMA" Überseering 30 | City North | ca. 19,220 m² | available from 2024/Q3

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From left to right: Tatjana Merger | Anna Martens

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Glossary

Definitions, office market

Take-up of space: Take-up of space is the total of all space newly let plus that sold to or built by an owner-occupier during the period under review. The operative date for inclusion in the statistics is the date on which the lease or purchase agreement was signed. Lease renewals are not counted as take-up. Areas are stated on the basis of the guide for calculating the rental area in commercial leases (MF/G).

Prime rent: The prime rent is that paid for the most expensive 3% of the market for new lets (not counting owner-occupiers) during the 12 months just ended and is stated as the median of such rents.

Average rent: The average rent paid is calculated by taking the individual rents agreed in all leases signed over the past 12 months, weighting them by the amount of space rented and computing the mean value. Figures refer to nominal net rents ex services.

Vacancies: Vacancies include all office space that is available to new tenants within six months. Sub-let space is counted as vacancy.

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We draw your attention to the fact that all statements made here are non-binding. Most of the information is based on third-party reports. The sole intention of this market survey is to provide general information for our clients.

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