www.dip-immobilien.de

DEUTSCHE IMMOBILIEN-PARTNER

Markets and Facts

Developments and Trends in the German Real Estate Market

2022

The Markets for

- Office Space
- Retail Space
- Real Estate Investments
- Logistics Space

Content

Looking back on 2021:
“Covid is still with us,
the building authority is what it is,
the inspectors are inspecting, inspecting, inspecting...
construction costs are still shooting through the roof.
Material is delayed or does not arrive at all!”

An architect from Hamburg

Dear reader,

My introduction from last year could be copied and pasted into this spot and no one would notice. No matter how mad(dening) many things are or seem to be, it is what it is! Is this the “new normal”?

The topic “Covid” divides families and personnel at companies and erodes the sense of solidarity of entire nations. Rioters and know-it-alls seem to be in charge almost everywhere, aggression and violence are sadly on the rise - a situation that makes many feel unhappy and helpless! Do you trust politicians, or scientists, or maybe better neither of them?

Uncertainty leads to dreams of security, for many people embodied by “gold” and “property”.

The business of DIP • Deutsche Immobilien-Partner is the trade in and brokering of properties and providing property management services. Our Preferred Partners are highly professional service providers who perfectly supplement our real estate services and whose names you should take note of. Learn more about us on the following pages.

There will always be one of us near you to discuss your real estate matters with you. Where necessary, this DIP Partner will involve another DIP Partner.

Our DIP network has been creating successes for our clients since 1988 and was fortunate to enjoy fantastic growth in regard to both geographical scope and the number of Partners and their areas of expertise. For you, we have two excellent Partners for your real estate matters in the Dutch and Austrian markets!

DIP has been winning top positions in the broker ranking of “immobilienmanager” for years.

DIP brokering performance in 2021:
- Auditor-certified transaction volume in sales: about EUR 2.3 billion.
- Renting out several hundred thousand square meters of offices, commercial and logistics premises.

All our Partners will be delighted to talk to you and meet you in person this year. Your call will bring us together!

Your

Henrik Hertz
Spokesperson of the DIP Partners

DIP Deutsche Immobilien-Partner - an attractive group of specialists!

History:

In 1988, the increasing supra-regional tasks, especially in the sectors "investment" and "commercial letting", led the befriended and owner-managed, long-established companies AENGEVELT (est. 1910) in Düsseldorf, ARNOLD HERTZ (est. 1900) in Hamburg and ELLWANGER & GEIGER (est. 1912) in Stuttgart to establish a group. The goal: Important and interesting locations were to be closely linked by the accession of renowned real estate agents.

It was the right solution to the question of how the requirements of national and international investors, acting across regions, could be fulfilled!
The high level of renown of the three founding companies was to give other selected partners/companies in other regions the opportunity to open the nationwide property market to their regional clients as well.
The collection of regional market data allowed for the publication of the market report "Markets and Facts", a pioneering achievement in the industry, which compared all relevant property markets in Western and Eastern Germany for the first time and the 34th annual issue of which you are now holding in your hands. Ever since then, it is considered to be one of the most important market analyses, given its comparison of market data from Western and Eastern German cities, bigger and smaller ones alike.

News:

Today, eight top property services providers with more than 25 branch offices are affiliates of the nationwide DIP group. Each and every partner is experienced at its location, linked through networks, superbly integrated and has an excellent reputation. Our cooperation is based on strong trust and builds on the foundations of professional qualification and active presence on the market.
In order to offer first-rate consideration of the interests of Dutch investors in Germany and these of German investors in the Netherlands, the DIP network has been strengthened by the renowned company FRIS, Amsterdam, since August 2017 as Preferred Partner.
Since fall 2019, Logar & Partner Immobilientreuhand GmbH, Vienna, has supported the DIP association in order to meet the interests of Austrian investors in Germany and also to take into account these of German investors in Austria.
The following always applies: Any client co-attended by a partner enjoys deepest respect, has utmost priority and experiences the reliable consultation and transaction participation he may naturally expect and is used to receiving from his regional property consultant!

Our "Code of Conduct" is the basis of our success and the corresponding unique advantages for our clients:

- MORE TRUST:
  Each partner acts honestly and in a responsible manner in all transactions.
- MORE COMPETENCE:
  Each partner utilises its good reputation and offers a high-quality service.
- MORE QUALITY:
  With their market position at the respective locations, the partners guarantee the assured high quality standard.

A unique characteristic of the DIP Group is the partnership with the following well-known companies as Preferred Partners which complement the holistic scope of real estate with their services:

- ALLIANZ Handwerker Services GmbH, Aschheim (Munich)
- EBZ BUSINESS SCHOOL GMBH - University of Applied Sciences, Bochum
- GÖRG Partnerschaft von Rechtsanwälten mbB, Cologne
- Olivier Versicherungen, Monschau
- TÜV Rheinland Industrie Service GmbH, Cologne

Joint values are the best basis for your success!

- More ideas, more competencies, more opportunities for the sale or acquisition of your property most effectively complement our core competencies for you!

DIP Partners


Dr. Lutz Aengevelt


Dr. Wulff Aengevelt


Chiara Aengevelt


Mark Aengevelt


Max Aengevelt

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DIP News

Aengevelt Immobilien GmbH & Co. KG
Another “Highest Confidence” award

- **Study including 21,000 brands and companies from over 200 sectors.**
- **4 real estate brokers among winners.**
- **Best in the sector, Aengevelt: The only service provider to score another 100 out of 100 points.**

For the fifth time, the Institut für Management und Wirtschaftsforschung (IMWF) completed an extensive study regarding “highest client confidence” on behalf of FOCUS-MONEY and DEUTSCHLANDTEST (study period: September 2020 to August 2021). As part of this study, 3.7 million mentions of about 21,000 brands and companies from over 200 sectors were identified on social media and analysed. Applying scientific analysis criteria, the study determined the companies that stand out with a particularly high level of confidence among their clients.

“Highest Confidence” is awarded based on the overall points achieved. Split by individual sectors, points are given on a scale of 0 to 100 points. Awards are handed out to all companies achieving a total score of at least 70 points.

In the category “real estate broker”, 4 companies won the “Highest Confidence” award (2020: 3 companies; 2019: 7 companies) – among them, for the fifth time running, Aengevelt. As in the previous year, Aengevelt was the only real estate service provider to achieve the highest score of 100 points, becoming the winner in its sector.

“Highest client confidence and ongoing excellent customer reviews confirm our focus on independent service based on our decades of experience with real estate research and our goal to provide the highest possible degree of market transparency”, replied the delighted associates Dr Lutz Aengevelt, Dr Wulff Aengevelt, Chiara Aengevelt, Mark Aengevelt and Max Aengevelt.

This positive customer rating is also reflected by the results of the customer survey in early 2022, the seventeenth of its kind, among the customers who procured real estate services from Aengevelt in the preceding business year (2021); they were asked how satisfied they were with the service, expertise and other quality indicators: 97 % of respondents will be working with Aengevelt again and 98 % will recommend Aengevelt.

The basis for the excellent ratings of Aengevelt services in both the FOCUS-MONEY study and the regular customer survey is the combination of guaranteed independence and freedom from instructions thanks to the fourth generation of owner-managers and 112 years of systematically gathered profound and continuous market expertise.

AENGEVELT

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DIP News

Aigner Immobilien – technological innovations as essence of the brand

Ever since its formation in 1991, Aigner Immobilien GmbH built its position with more than just successfully brokering properties: The company being the sector's leader in digital innovation made its hallmark from the get-go. Aigner Immobilien was quick off the mark in combining customary sales techniques and personal service with innovative digital processes - ensuring maximum sales success in all asset classes to this day.

Already back in 1996, when the internet slowly spread among the public following much scepticism, Aigner Immobilien was one of the first brokering companies in Germany to have its own website. It provided not only information about the company, but also about the properties currently on offer - an advantage for buyers and sellers alike and the predecessor to all the property platforms that were established in the years to come. Technology fan Thomas Aigner even introduced digital photography into his ever-growing company in 1997 to show their properties in the best possible light on the website.

Eventually, Aigner Immobilien became a digital pioneer with the new, innovative organisation software introduced in 1999. It allowed the company to not only perfect the service but also property searches for the clients: A fully automated matching of search criteria and property information made it possible to show potential clients exactly the kind of property they were looking for - nothing short of revolutionary at the time!

An eye on every target group

Since then, innovative development and technological advances for property clients have become a cornerstone of the branch. Of particular importance for the managing director Thomas Aigner: always keeping an eye on all target groups and their different needs. For example, the Aigner website offers a dedicated area for owners of multi-family properties that helps determine the market value of this kind of property. The company is currently working on also enabling this feature for commercial properties.

"We embody the perfect symbiosis of sound personal advice, provided by experienced experts, and innovative digital sales techniques as well as certified processes," summarises Thomas Aigner.

Thomas Aigner
Managing Director

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DIP News

Arnold Hertz Immobilien – Excellent Property Management

DIP co-founder ARNOLD HERTZ IMMOBILIEN Hamburg and Rostock is the only DIP Partner with the special competence in investment business combined with comprehensive PROPERTY ASSET AND FACILITY MANAGEMENT.

We manage large properties for our clients - also far beyond our core markets Hamburg and Rostock and the areas around.

Arnold Hertz founded the company in 1900 and the company has been managing rented residential accommodation, offices (retail units) and commercial properties ever since then. He recognised the importance of holistic administration for property management and tenant services as well as of permanent modernisation.

Our services are transparent for our clients and are based on a customised service catalogue we prepare together with the client. We define different performance intervals together. This also determines our fees: With e-Hertz, our clients can access work progress at any time.

Maintaining and growing assets to generate increase of value.

Dynamic, with innovative energy and family-owned for more than 120 years - this makes us one of the oldest real estate companies in Germany. Closely followed by our dear DIP Partner Aengevelt Immobilien.

Your Hanseatic Partner is looking forward to assisting you!

Henrik Hertz
Managing Partner
Arnold Hertz Immobilien GmbH & Co. KG

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DIP News

Beyer Immobilien
30th anniversary

Being a regional broker, Leo Beyer is familiar with the market and Freiburg's districts; as a trained architect born in Freiburg, he knows which property at which location can generate which price. Beyer Immobilien, now in the hand of the second generation, scores with experience gained through brokering more than 2,000 properties.

It is important for Beyer Immobilien that properties are not only assessed and sold on cold financial factors alone, but that they are also seen, developed and/or optimised with an eye for aesthetics. Many properties and plots have changed owners and tenants in the 30 years the company has been active. Simultaneously, creative construction concepts were realised with success and new service areas were added to the company's scope of services. And one of the best things, looking back: Many first came to Beyer Immobilien as clients or partners – and stayed to become friends.

The positive feedback from their clients is a particular source of pride for the team of Leo Beyer. With an eye for the clients' needs and the necessary flair when interacting with people, the experienced agents can match owners, buyers and tenants. This work is also reflected by awards. Most recently, Beyer Immobilien was again crowned top-broker in Freiburg - receiving the highest marks - by Capital Magazin and awarded BELLEVUE Best Property Agent 2022.

This year, Beyer Immobilien celebrates its 30th anniversary. Founded by Lydia Beyer in 1992, the company remains owner-managed and has been led with success by Leo Beyer since 2015. Over the past six years, he developed the four-person team of his mother into a strong, dynamic company of 13 employees in an innovative office community.

This community, at home in the red house of the Herder-Verlag, was the result of his excellent networking contacts consisting of architects, construction physicists, site managers, personnel developers and designers.

Leo Beyer uses all his experience and commitment to successfully continue the development of the company for the next generation.

Leo Beyer
Owner and Managing Director

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DIP News

HUST Immobilien to open Germany's first Gourmet & Property Store in Karlsruhe

Pleasure meets passion, gourmet meets property: Or simply The HUST Gourmet & More.

In addition to its well-established real estate offices in Karlsruhe, Bruchsal, Bretten and Baden-Baden, HUST Immobilien tried something new in 2021.

What sounded like a mad combination at first proved to be a successful symbiosis of two top items - delicatessen on the one hand, high-end residential and commercial properties on the other - now that the shop is open.

Our belief in continuing and advancing the personal, direct contact with the faithful HUST clients at all times, despite the advances of modern technology, is and remains the biggest and most important unique selling point of HUST Immobilien.

Actively retaining and inspiring clients is the most valuable investment in future-proofing and developing the business, as far as HUST Immobilien is concerned.

As an owner-managed company, it is of particular importance to us to ensure that we inspire clients every day by offering extraordinary service, wonderful exclusive events and excellent personal contact.

We at HUST Immobilien believe that we need to be engaging and "stand out from the crowd" to attract new clients, and our team is very pleased indeed to have created a wholly new opportunity for personal contact in the city centre of Karlsruhe in autumn 2021 with The HUST Gourmet & More - a completely new approach to creating property contacts in and around Karlsruhe and northern Baden.

With our 14 property experts, HUST Immobilien will remain and develop its position as the leading property expert in and around Karlsruhe.

As an additional service, HUST Immobilien will be supporting clients who are looking to use properties as retirement funds ("Verrentung") from spring 2022 onwards, meaning that we will be offering not only the traditional property sale but also the option of a partial property sale and its use as retirement fund in cooperation with one of the largest providers of this service.

The keys for HUST Immobilien are long-term, honest cooperation at eye level, trust, continuity and a sense of responsibility. A particular concern for HUST Immobilien is the ability to provide optimal advice for anyone, regardless of age or interest group.

Knowledge of the regional and trans-regional markets, technical know-how, personal contacts to politics and the economy that we have developed and maintained over years and the ever-present "je ne sais quoi" are what makes HUST Immobilien the property partner in and around Karlsruhe.

The HUST Gourmet & More, Karlsruhe. © HUST Immobilien

Hust Immobilien
Echt anders

HUST

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DIP News

FRIS | Real People

Personnel

As per January 1, 2022 Marc van Kampen MRE started as Manager Agency Commercial Real Estate at FRIS in Amsterdam. Marc has 20 years of real estate experience and a Master degree in Real Estate. Together with his highly committed team, Marc will be responsible for the agency services in the field of *Commercial property and Investments in the greater Amsterdam region.*

Services

The Real People at FRIS provide a complete service for a wide range of clients – not just entrepreneurs and end-users of commercial real estate, but also investors, insurance companies, project developers, building companies, banks and accountancy firms. The Real People at FRIS work in the area of investments both nationally and internationally.

Naturally, you can expect all the services you need from a commercial real estate agent. What sets FRIS apart from the major international players is our local knowledge and flexibility. And what sets FRIS apart from other local real estate agents is the breadth of the FRIS organisation, our experience in Amsterdam and our strong focus on the SME sector, the creative target group and the banks of the IJ.

Deep and wide-ranging market knowledge

Our broad real estate organisation, large network and own knowledge centre mean we are able to draw on impressive resources in terms of knowledge and data. Thanks to this edge in knowledge, we are able to sell or rent out real estate with targeted marketing. Clients can also rely on our expertise, local knowledge and network when it comes to searching for and finding a suitable location for your firm. In short, clients can come to us for:

- Renting out/selling commercial property
- Finding commercial property to rent/buy
- Contract advice and negotiations
- Market reviews

Marc van Kampen
Manager Agency Commercial Real Estate

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DIP News

TÜV Rheinland Industrie Service GmbH
Safety and Quality

TÜV Rheinland stands for safety and quality in virtually all areas of business and life. Founded almost 150 years ago, the company is one of the world's leading testing service providers with more than 20,600 employees and annual revenues of around 2 billion euros. TÜV Rheinland's highly qualified experts test technical systems and products around the world, support innovations in technology and business, train people in numerous professions and certify management systems according to international standards. In doing so, the independent experts generate trust in products as well as processes across global value-adding chains and the flow of commodities.

The Industrial Services & Cybersecurity business stream covers the business fields of pressure equipment, elevators and lifting equipment, electrical engineering and building technology, industrial inspection and materials testing, infrastructure and project supervision, energy and environment as well as cybersecurity and functional safety. The services include, for example, testing industrial plants, support of industrial and infrastructure projects, testing pressure vessels, temporary constructions, conveyor systems and elevators, environmental and hazardous substance analysis as well as cybersecurity solutions.

Our experts provide support in the planning, construction, operation and maintenance of technical facilities, buildings and infrastructure. We offer you individual solutions. Our technical expertise at a glance:

- Fire protection consulting/expertises/concepts
- Commissioning management
- Technical due diligence
- Real estate valuation
- Quality control during construction / construction quality control
- Building condition assessment/documentation
- Preservation of evidence
- Planning plausibility check of construction and TGA
- Inspection during construction
- Health and safety coordination on construction sites (SiGeKo)
- Structural fire protection inspections
- As-built survey
- Remediation concepts
- Inspections of engineering structures
- Construction monitoring
- Hazardous substance analyses
- Hazardous building materials
- Mold control
- Sustainability consulting / CO_2 balancing according to EU climate law
- Computer simulation (fire, smoke, evacuation)
- Operational management
- Inspections according to operational safety regulations & inspection regulations of the federal states

Oliver Krüger
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Dr. Wulff Aengevelt, Managing Partner of AENGEVELT IMMOBILIEN GmbH & Co. KG

EXPO REAL 2021

Top - by far

The high expectations were fully met: After two years, EXPO REAL in Munich, Europe's most important real estate trade fair, was allowed to continue. As was to be expected, the 1,200 exhibitors and about 19,200 professional guests fell short of what we were used to pre-Covid (2,189 exhibitors, 46,750 professional guests), but there were a much higher density of decision-makers and senior staff and more time for in-depth professional discussions.

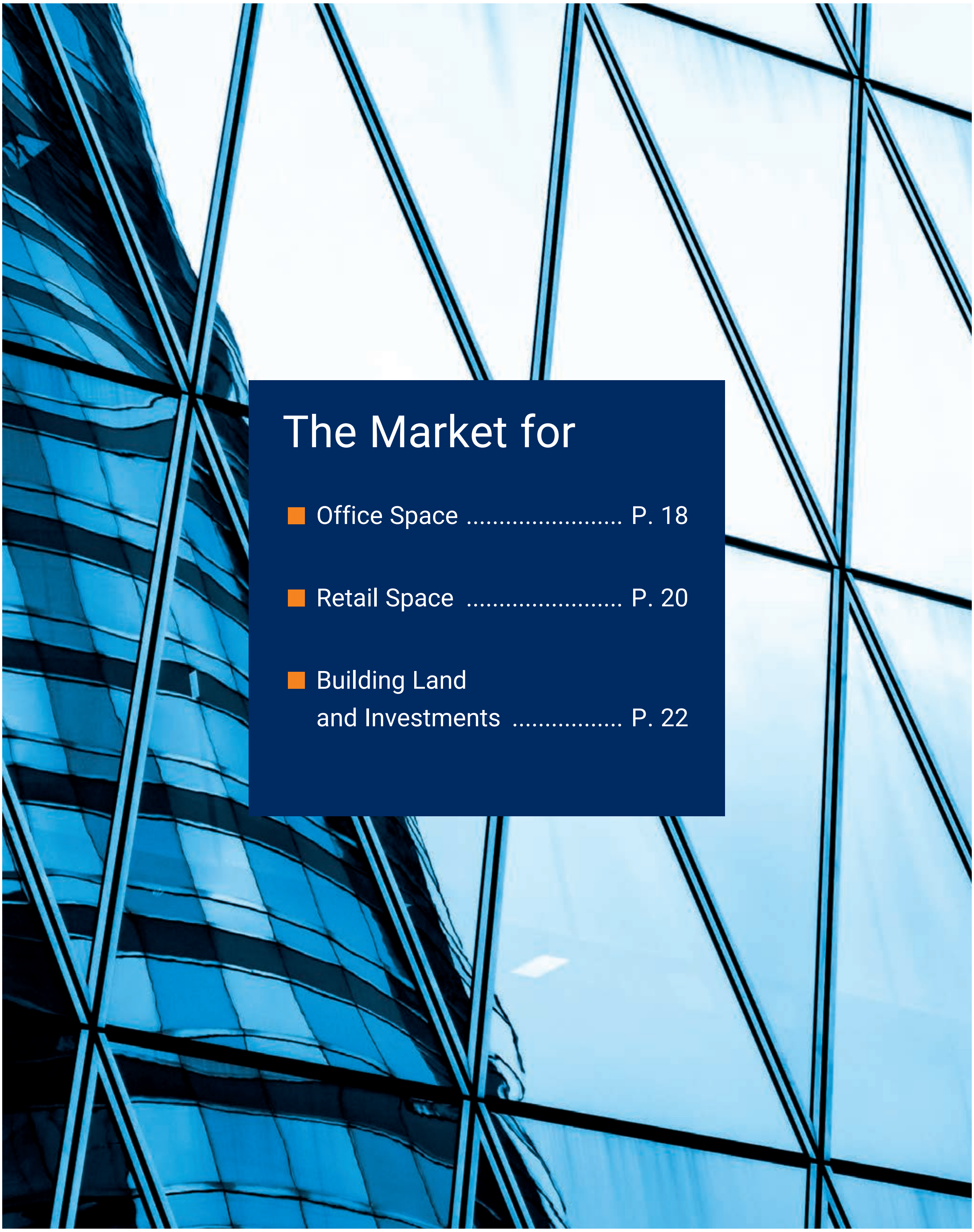
Dr. Wulff Aengevelt

The conference programme, too, was of a high calibre and addressed a wealth of issues. On the table, there were discussions of the development in different asset classes after Covid, such as future office models and revitalisation of city centres.

The list of other important issues was topped by climate neutrality and perspectives for the real estate industry following the change in government. Our company chaired panel discussions in front of an overcrowded room-only audience and as live stream with 500 property experts. Conclusion: Aengevelt demands an interdisciplinary, Europe-wide climate package to meet ambitious climate targets and to boost sustainability.

As in previous years, EXPO REAL gave an unmistakeable go-ahead for the end-of-year business. While bargain hunters were disappointed by the lack of qualified offers, the scarcity of supply also confirmed how crisis-resistant the real estate market is.

Overviews of markets



The Market for

The Market for

office space

Office space market	Berlin	Bremen	Dresden	Düsseldorf	Essen	Frankfurt	Freiburg
Take-up of office space in m² - 2021 leased and owner-occupied space	849,000	105,000	79,000	324,500	85,000	449,000	24,000
Take-up of office space in m² - 2020 leased and owner-occupied space	705,000	85,000	65,000	284,000	89,000	333,000	28,000
Take-up of office space in m² - 2019 leased and owner-occupied space	986,000	96,000	95,000	525,000	165,000	561,000	23,000
Top rent in 2021 in EUR/m²/month	41.00	14.00	16.00	28.50	16.50	45.50	16.40
Top rent in 2020 in EUR/m²/month	39.00	13.80	15.00	28.50	16.30	45.00	16.20
Top rent in 2019 in EUR/m²/month	38.00	13.50	15.00	28.50	16.00	43.00	16.20
Average rent - entire city in 2021 in EUR/m²/month	27.50	8.50	12.50	16.00	10.20	22.50	11.50
Average rent - inner-city in 2021 in EUR/m²/month	30.50	9.20	15.00	28.00	11.50	27.00	12.90
Average rent - city periphery in 2021 in EUR/m²/month	26.00	8.10	12.00	17.50	9.20	18.50	11.40
Average rent - subburbs in 2021 in EUR/m²/month	17.00	7.00	10.50	12.90	7.50	16.80	10.00
Vacancy, absolute, in m² - end of 2021	689,000	115,000	80,000	670,000	165,000	1,030,000	21,000
Vacancy, absolute, in m² - end of 2020	390,000	118,000	115,000	600,000	100,000	810,000	21,000
Vacancy, absolute, in m² - end of 2019	280,000	113,000	135,000	620,000	105,000	740,000	17,000
Vacancy rate in % - end of 2021	3.3	3.3	3.2	7.2	5.4	8.9	1.4
Vacancy rate in % - end of 2020	2.0	3.4	4.6	6.4	3.3	7.0	1.4
Vacancy rate in % - end of 2019	1.5	3.2	5.3	6.6	3.3	6.3	1.1
Projected turnover in 2022	↗	→	↗	↗	↗	↗	→
Projected top rent - end of 2022	↗	↗	→	↗	→	↗	↗
Projected average rent - entire city - end of 2022	→	↗	→	↗	↗	↗	↗
Projected vacancy, absolute - end of 2022	↘	→	↗	↗	↘	↗	↘

n. a. = data not available
As of 31 December 2021

Hamburg	Hanover	Karlsruhe	Cologne	Leipzig	Magdeburg	Munich	Nuremberg	Stuttgart	Amsterdam
480,000	115,000	50,000	310,000	140,000	21,800	590,000	80,000	143,000	250,000
350,000	130,000	70,000	174,000	128,000	22,000	600,000	121,000	220,000	180,000
540,000	135,000	59,000	282,000	140,000	23,000	840,000	92,000	305,000	290,000
32.00	17.00	13.50	27.00	16.50	13.50	41.00	16.00	25.00	40.42
30.20	17.00	15.00	26.00	16.00	13.50	40.00	16.00	25.00	38.00
29.50	17.00	15.00	26.00	15.50	13.50	40.00	16.00	24.00	35.50
18.50	10.50	n. a.	15.50	9.70	n. a.	23.00	10.00	16.00	20.00
22.50	11.50	12.00	17.50	11.50	9.80	28.00	12.00	17.50	20.00
17.00	9.50	11.00	13.70	10.00	8.50	23.00	11.00	13.00	17.50
13.00	8.00	10.00	9.00	7.50	6.50	15.00	9.50	10.00	13.33
530,000	178,000	100,000	255,000	170,000	68,000	930,000	138,000	255,000	372,000
440,000	142,000	92,000	232,000	185,000	72,000	590,000	85,000	200,000	372,000
400,000	135,000	83,000	185,000	188,000	73,000	500,000	65,000	170,000	553,500
3.9	3.9	4.0	3.2	5.0	6.5	4.4	3.6	3.2	6.0
3.0	3.1	3.5	2.9	5.5	7.0	2.9	2.3	2.5	6.2
2.8	2.9	3.3	2.4	5.6	6.9	2.5	1.8	2.1	5.0
→	↗	↗	↘	→	↘	↘	→	↗	→
↗	→	→	↗	↗	→	→	→	→	→
↗	→	→	↗	↗	→	→	↘	↗	↗
↗	→	↗	↗	↘	↘	↗	↗	↗	↗

The market for

retail space

Retail space market	Berlin	Bremen	Dresden	Düsseldorf	Essen	Frankfurt	Freiburg
Top rent (absolutely prime location in EUR/m²)	305	120	80	280	80	300	155
Rent in EUR/m²: Prime inner-city location (ground floor < 100 m²)*	70-280	65-120	40-80	140-250	45-80	145-300	93-155
Rent in EUR/m²: Secondary inner-city location (ground floor < 100 m²)*	15-40	25-50	20-40	40-65	18-28	85-135	30-36
Rent n EUR/m²: City periphery / centre of a city district (ground floor < 100 m²)*	20-30	12-18	10-15	15-30	12-25	18-43	19-30
Rent in EUR/m²: Discounter/specialised big box store - nonfood	7-16	6-12	5-12	10-16	8-15	15-25	n. a.
Rent in EUR/m²: Discounter/specialised big box store - food	10-23	7-17	8-18	10-15	8-18	14-18	n. a.

FORECAST 2022	Berlin	Bremen	Dresden	Düsseldorf	Essen	Frankfurt	Freiburg
Development of rents prime locations	→	↘	↘	→	→	↘	↘
Development of rents secondary locations	→	→	↘	→	↘	↘	↘
Demand for retail space prime locations	→	↘	↘	→	↘	→	→
Take-up of retail space prime locations	→	↗	↘	↗	→	→	→

* = typical market range
n. a. = data not available

Hamburg	Hanover	Karlsruhe	Cologne	Leipzig	Magdeburg	Munich	Nuremberg	Stuttgart	Amsterdam
265	180	90	220	110	68	340	150	190	233
200-265	110-170	40-90	120-220	60-80	35-40	200-340	110-150	80-140	45-200
40-65	30-60	20-55	65-95	20-40	22-25	70-140	60-90	20-60	17-27
35-65	14-36	15-35	15-35	6-14	8.5-12.5	n. a.	30-45	5-15	8-29
n. a.	6-12	n. a.	10-14	7-13	6-12	n. a.	10-30	10-15	7-17
n. a.	8-14	n. a.	10-15	6-10	6-12	n. a.	10-30	10-18	12-25
→	↘	↘	→	↘	→	↘	→	→	→
→	↘	↘	↘	↘	↘	↘	↘	→	↘
→	↘	↘	↘	↘	→	↘	→	↘	↘
→	↘	↘	↘	↘	→	↘	→	↘	↘

The market for

building land and investments

The market for land - purchase prices in EUR/m²	Berlin	Bremen	Dresden	Düsseldorf	Essen	Frankfurt	Freiburg
Commercial land*	100-425	60-180	50-140	250-450	70-170	280-470	180-250
Land for office and commercial buildings (city locations)	5,500-20,000	1,500-6,000	680-3,300	3,600-52,000	500-1,100	6,500-46,000	1,500-6,000
Land for residential buildings (good locations)	2,600-6,200	900-1,700	500-2,200	700-2,600	600-1,000	1,500-4,200	1,400-4,000
Commercial investment - peak multipliers							
commercial building	33.00	23.0	30.0	35.00	22.0	35.5	26.0
office building	35.00	22.0	23.0	36.00	24.0	34.5	28.0
self-service shop/specialised retailer/ specialised big box store	21.00	19.0	16.0	25.00	19.0	24.0	19.0
industry/commercial/logistics	28.00	23.0	15.0	23.00	20.0	26.5	21.0
Commercial investment - typical initial multipliers							
commercial building	20-24	17-21	15-21	25-30	18-22	19.5-22	19-24
office building	22-26	18-22	14-25.5	25-32	18-21	18.5-20.5	20-28
self-service shop/specialised retailer/ specialised big box store	15-20	15-18	10.5-15	15-18	15-18	15-18	16-19
industry/commercial/logistics	20-25	15-20	9-15	11-15	15-19	14-16	14-17
Residential investment - typical initial multipliers							
Multi-family house - new building (standard fittings)	21-24	21-25	24.5-31.5	27-33	18-23	27-35	29-33
Multi-family house - inventory (standard fittings)	26-29	18-24	14-27	26-32	15-20	25-32	27-31

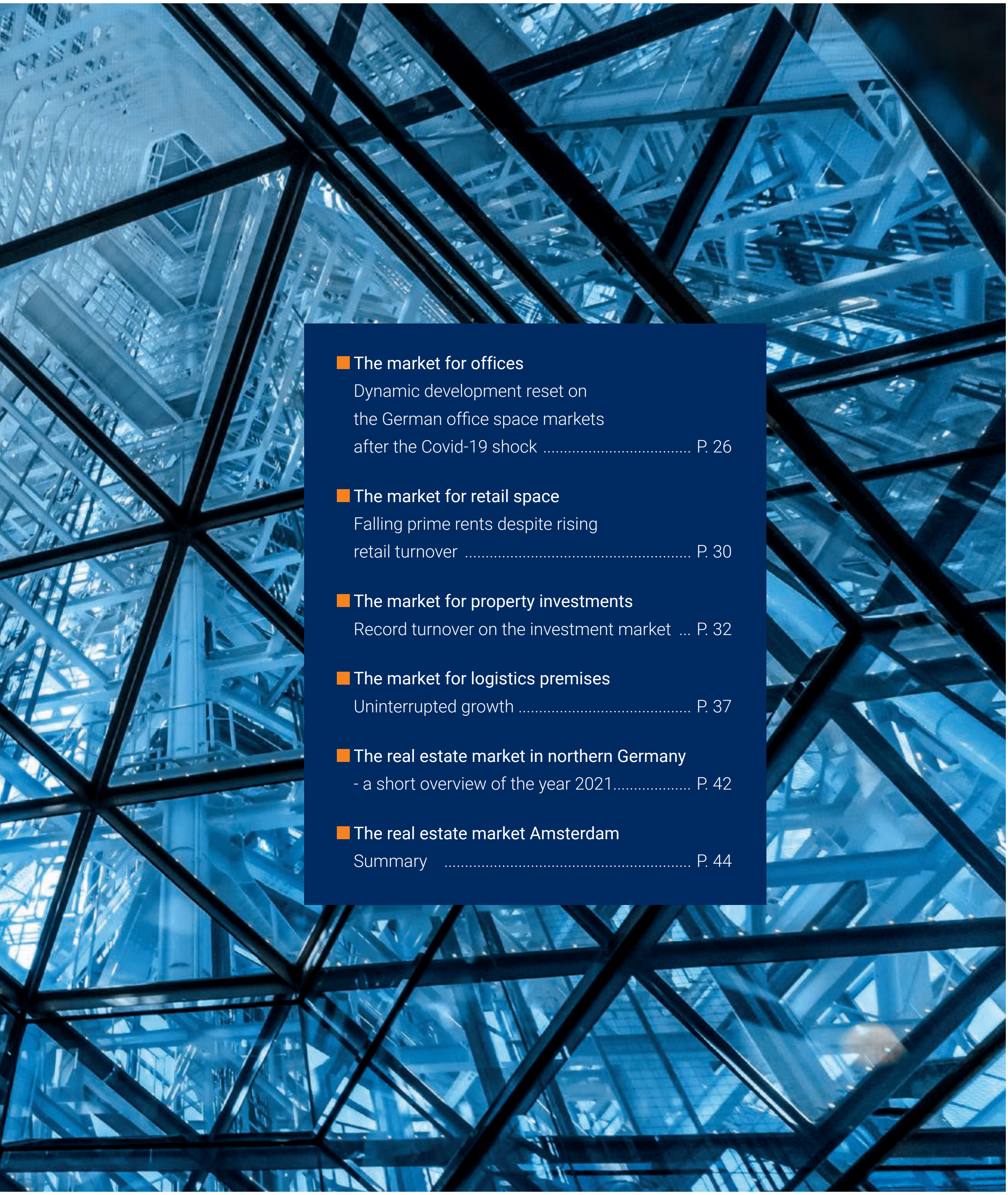
n. a. = data not available

*These prices are for a developed plot in higher-quality industrial areas or for commercial areas that are reached easily (excluding old industrial or production sites in city centres), usually with a floor space index between 0.6 to 1.1.

Multiplier = net multiplier (final purchase price to annual net rent)
top multiplier = highest multiplier to be achieved in the market
new building = completion within the past two years

Hamburg	Hanover	Karlsruhe	Cologne	Leipzig	Magdeburg	Munich	Nuremberg	Stuttgart	Amsterdam
160-350	90-280	150-220	155-260	50-360	30-150	600-4,000	170-400	400-850	n. a.
6,000-30,000	n. a.	1,500-6,500	1,000-30,000	2,900-4,500	350-1,200	4,500-12,000	4,500-18,000	4,000-32,000	n. a.
2,700-8,000	800-1,200	450-950	900-1,800	900-2,100	400-600	3,150-7,050	1,200-2,200	1,700-3,600	n. a.
44.0	26.0	25.0	32.5	27.00	23.00	40.0	29.5	31.0	18.2
42.0	25.0	17.0	32.0	26.00	23.50	37.0	23.0	30.0	30.3
23.0	19.5	12.0	21.5	20.00	16.00	26.5	15.5	18.0	n. a.
27.0	24.0	14.0	24.0	23.00	20.00	28.0	15.0	21.0	28.5
27-40	19-25	15-25	22-27	20-26	16-18	24-32	23-24	20-30	n. a.
29-40	18-26	11-14	20-27	18-24	16.5-18.5	26-30	21-22	20-27	12.9-16.6
17-20	15-20	8-13	16-18	15-18	13-14	15-20	13-14	12-16	n. a.
18-22	15-20	8-14	17-20	12-19	13-17	15-22	13-14	13-20	20-30
30-35	19-29	25-30	25-33	28-32	22-27	41-47	29-30	26-34	22.2-29
28-33	18-27	22-30	22-29	25-34	19-26	33-60	27-28	25-34	15.4-25

Markets in detail



The market for offices

Dynamic development reset on the German office space markets after the Covid-19 shock

Following limited market activities in 2020 as a result of Covid, the next reporting year, 2021, is characterised by the first steps back to normality. A slight improvement was recorded on the office market which was substantially determined by the Covid pandemic. The restrictions on daily life continued to have a considerable impact on how we work:

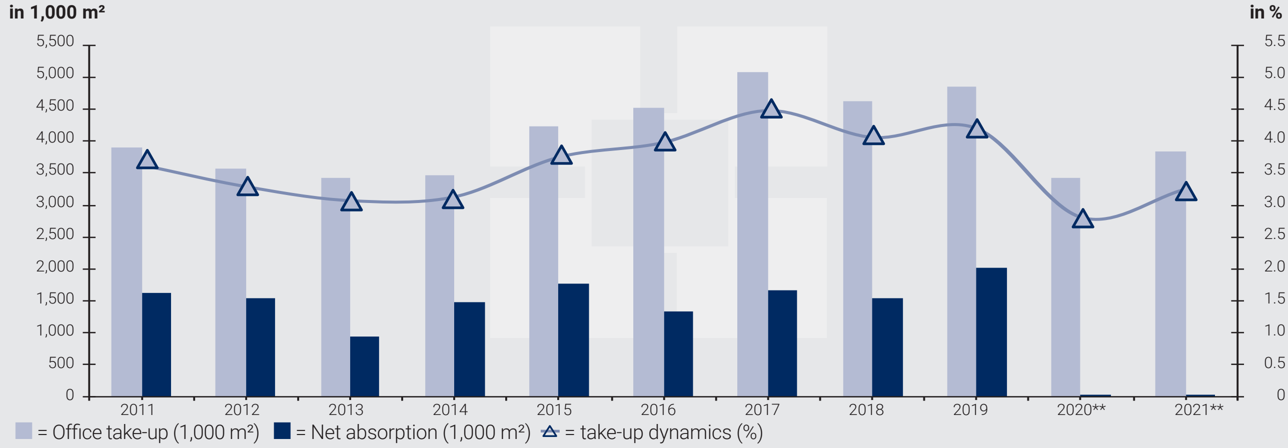
- Contrary to the medical, health and logistics sectors, numerous other industrial sectors demanding business spaces (in particular tourism, retail, automotive and aviation industry, cultural sector, services closely related to businesses) suffered heavy loss of revenue forcing them to cut their staff and their costs - including rent savings.
- Pressure to streamline and make savings as well as positive aspects of working from home for many operational processes caused a huge number of companies to either reduce their office sizes or to at least consider the option.
- Uncertainty with regard to the development of the pandemic and its economic effects often prompted owner-occupiers, developers and investors to stretch or postpone any investments they had intended to make.

Depending on the degree to which they were affected, companies implemented different measures which, in total, led to a reduction of the demand for office spaces: abandoning expansion plans (that is, renting additional offices) or reducing the size of rented office spaces by subletting, by refraining from exercising options or from renewing contracts or even by cancelling existing ones. Following the abrupt and massive drop in 2020, the rest of the year saw dynamics increase in many areas, albeit moderately.

Office space take-up slightly higher than in the previous year

- Whilst a total of about 3.43 million m² of office space had been traded at the 16 analysed DIP locations in 2020, the transaction volume in the subsequent year 2021 rose by about 441,000 m² or 13 % to approx. 3.85 million m². Looking at the past few years, however, this recent upward trend is still 6.5 % short of average sales in the past ten years (Ø 2011 - 2020: 4.1 million m² per year).
- About 3.15 million m² or 81.8% of office space take-up

DIP office markets*:
office take-up, net absorption and take-up dynamics



*B, HB, DD, D, E, F, HH, KA, C, L, MD, N. S, incl. owner occupiers
** incl. Freiburg

Source: DIP, Aengevelt Research

at all 16 DIP locations were traded in the seven biggest German office space markets (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart). Accordingly, this constituted an 18 % higher space take-up than in 2020 (2.67 million m²). The four markets which generated the highest take-up in 2021 are Berlin (849,000 m²), Munich (590,000 m²), Hamburg (480,000 m²) and Frankfurt am Main (449,000 m²).

- Take-up dynamics, i.e. the ratio of space take-up to existing premises, rose slightly again, following an abrupt drop in the previous year (2021: 3.3 %, 2020: 2.8 %). The most dynamic of the 16 DIP markets, i.e. exceeding the average performance (3.3 %), were space take-ups on the markets in Leipzig (4.1 %), Berlin (4.1 %), Cologne (3.9 %), Frankfurt am Main (3.9 %), Hamburg (3.5 %), and Düsseldorf (3.5 %). Dresden (3.2 %) exhibited more or less average growth dynamics. More moderate office transaction ratios were recorded in Bremen (3.0 %), Munich (2.8 %), Essen (2.8 %), Hanover (2.5 %), Nuremberg (2.1 %), Magdeburg (2.1 %), Karlsruhe (2.0 %), Stuttgart (1.8 %) and Freiburg (1.6 %).

Net absorption amounting to a "black zero"

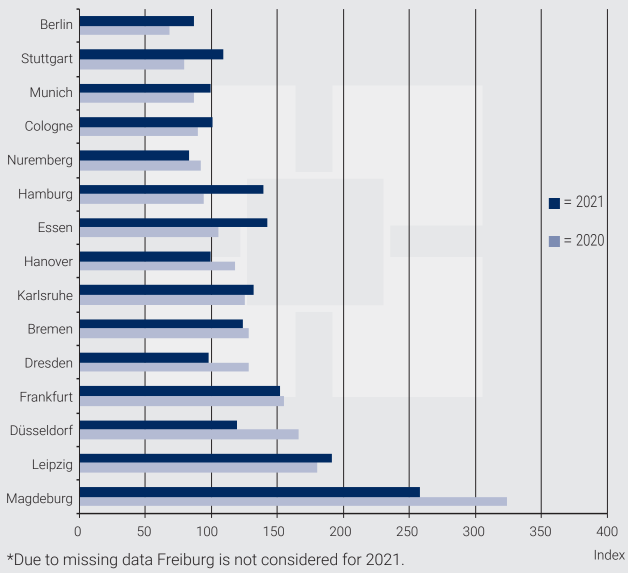
With net absorption amounting to only about 35,500 m² in 2021, that is, recording a "black zero" growth rate, we saw the lowest value we have ever recorded. Positive net absorption means that the overall size of office spaces newly rented by companies is higher than that of vacant spaces which companies have left. If net absorption is negative, the overall size of vacant office spaces is larger than that of newly rented office spaces. The 2021 reporting year clearly missed the long-term positive average value (2011 - 2020: 1.42 m²). After net absorption of office space on the German office space markets had fallen to less than one million square metres as a result of the economic slowdown and a corresponding polycyclic hesitation to rent by 2013, the positive economic development in the years until and including 2019 led to a persistently higher net absorption rate. About 1.6 million m² were absorbed on average between 2014 and 2018. In the year of 2019, net absorption even amounted to about 2.0 million m² of office spaces. The pandemic put an abrupt end to the consistent increase of demand for offices, resulting in a net absorption of only 40,000 m² by the end of 2020, a trend that is continuing in the current report year.

Office space surplus rising

Given the low net absorption, the total amount of office spaces available at short notice on the 16 German markets that were analysed rose by about 1.2 million m² to about 5.39 million m² of office space in the course of 2021, as forecast by DIP. The average vacancy rate on the 16 DIP markets thus rose from 3.6 % at the end of 2020 to 4.6 % over the course of the year.
On average, around 28.7 % more office space has been available since December 2021 for renting at short notice than only a year before. Hence, the trend of supply reserves melting away was stopped for now:

- The markets characterised by particularly dynamic increases in supply reserves in 2021 include Berlin (76.7 %), Essen (65.0 %), Nuremberg (62.4 %) and Munich (57.6 %), next are Stuttgart (27.5 %), Frankfurt am Main (27.2 %), Hanover (25.4 %) and Hamburg (20.5 %).
- We saw supply reserves increase on a comparatively moderate basis in Düsseldorf (11.7 %), Cologne (9.9 %) and Karlsruhe (8.7 %). No change was observed in Freiburg (0 %).

ARLEX: Index of vacancies of DIP office markets*
Index 100: vacancies are in line with fluctuation reserves required now and in the medium-term



*Due to missing data Freiburg is not considered for 2021.
Source: DIP, Aengevelt Research

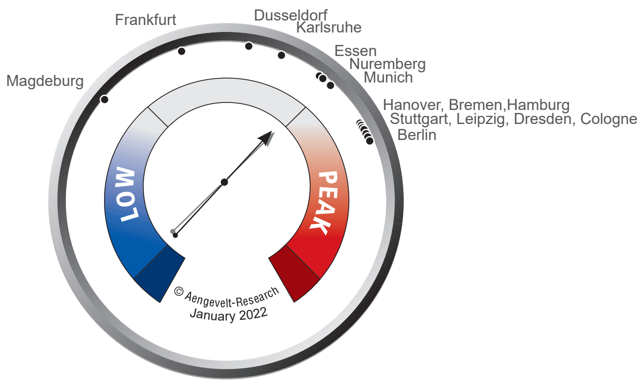
- An inverse market development, meaning a further moderate decline of the supply reserve, was recorded in Bremen (-2.5 %), Magdeburg (-5.6 %) and Leipzig (-8.1 %). With a decrease of -30.4 %, Dresden was the clear leader.
- However, it is not sufficient to evaluate locations exclusively based on the size of vacant spaces and/or their rates of change because fluctuation reserves must also be considered which, in return, depend on take-up dynamics. Rather, the changing ratios between space take-up and increase of the number of existing buildings through new construction are decisive and thus relevant to that assessment: The vacancy index developed for that purpose several years ago by Aengevelt Research called "ARLEX" ((Aengevelt Research Leerstandsindex) and to be used by this industry sector as an evaluation indicator considers that relation between the development of vacancies on the one hand and the take-up dynamics as well as the short-term (future) completion volumes on the other hand. An index value of 100 corresponds to an ideal market in equilibrium; values under 100 represent surplus demand and values over 100 a supply surplus. After calculation of the ARLEX, the results for the various locations sometimes appear in a completely different light than a purely quantitative assessment of nominal vacancy rates and their rates of change would suggest.
- The ARLEX index rose on all 15 office markets (no analysis for Freiburg due to lack of historic data) from 93 points at the end of 2020 to 105 points. This means that the overall market we analysed, after years of permanent lack of supply, is nearly balanced or seeing a moderate oversupply in the 2021 reporting period – even though there are massive regional differences.
- Nearly balanced ratios of available office spaces, demand and medium-term space expansion can be found in Hanover (99), Stuttgart (99) and Dresden (98) these days.
- Overall, the index values in the analysed cities ranged between 87 (Berlin) and 258 (Magdeburg). The somewhat higher index values such as in, for example, Magdeburg (258), Frankfurt (191), Düsseldorf (152), Essen (142) and Nuremberg (139) indicate an oversupply and therefore a lack of alignment of demand for offices, vacancies and completion levels.
- The most notable increases in the ARLEX in the report year were recorded in Magdeburg (66 index points), Leipzig (47) and Nuremberg (45).

Performance on the 15 DIP markets according to the Office Barometer

The **"Office Barometer"** that Aengevelt Research has been calculating for years does not only consider the developments in office rents, but also considers all other main key indicators that reflect the supply and demand relationships.[1]

Even though index values saw highly different developments at different locations, the Germany-wide index level remained stable compared to the previous year, recording 55 at year-end 2021 (2020: 54). Compared to the long term (2011 - 2020: 19), the performance level can still be described as solid.

The lowest overall barometer values were recorded for Magdeburg, Frankfurt am Main and Düsseldorf, while office markets in Berlin, Cologne, Stuttgart and Leipzig showed the highest values.



[1] The following key indicators are considered when calculating the index values: office space take-up, net absorption, available space supply, supply reserve available at short notice, necessary mobility reserve, completion volumes, existing space, top rent, average rent.

Stable rent levels

The office rent levels have been rising continuously across many segments since 2011. The weighted prime rent subject to space take-up on the investigated markets amounted to about EUR 32.89/m² at the end of 2021 and was thus 5.2 % higher than at the same time of the previous year. Among the markets with a significant increase in prime rents in a year-on-year comparison were, above all, Dresden (+6.7 %), Hamburg (+6 %), and Berlin (+5.1%). Only Karlsruhe (-10 %) registered prime rent levels that were lower than in the previous year.

A positive trend is also apparent when comparing the average rents for office space in inner-city locations at the end of 2021. A value of about EUR 21.60/m² was determined as the weighted average rent for office space in inner-city locations at the end of 2020 in the 16 German markets analysed; at the end of 2021, it had been EUR 22.93/m². Average increase of rent ran to around 6 % within only a year. A particularly high increase of the average city centre rent was registered in Dresden (+25 %) and Berlin (+8.9 %). Rents fell in Nuremberg (-7.7 %) and Karlsruhe (-4 %).

After rents had stagnated in the previous report year due to Covid, the market is now returning to more lively activities with rising rents.

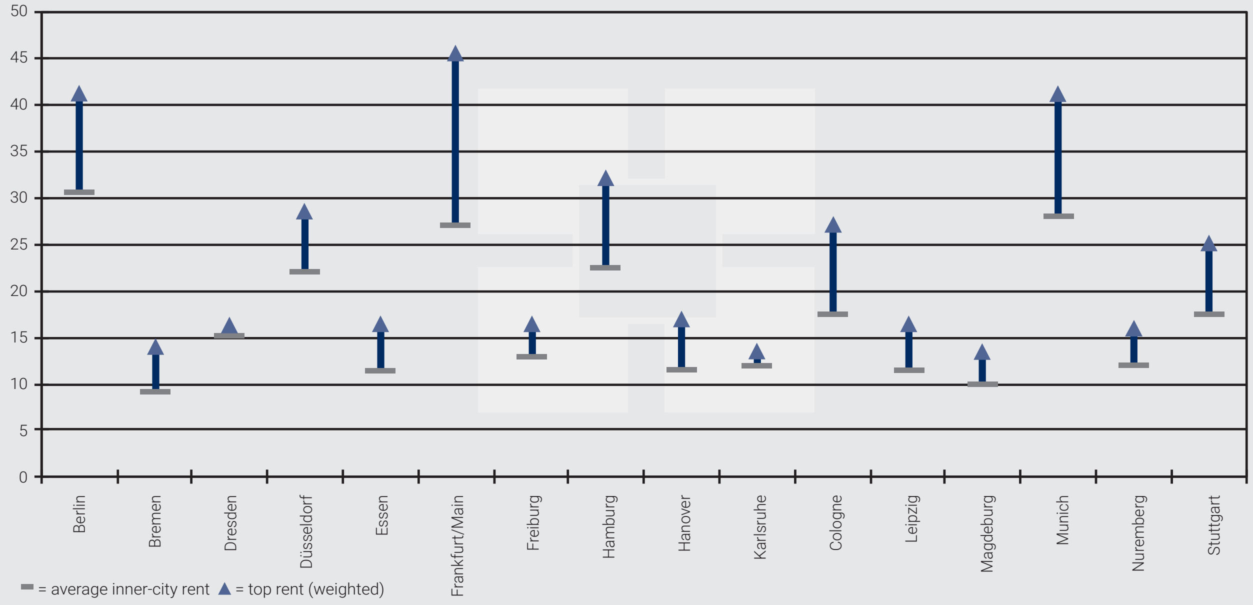
Perspectives and opportunities

Recent forecasts assume that GDP is going to rise by between 2.8 % and 4.9 % in 2022, compared to the pandemic year 2021. The office market has already been much more dynamic in the current report year but has so far not returned to pre-Covid levels - with the exception of a few DIP locations such as Leipzig, Bremen and Cologne. Especially large-scale transactions - absent in 2020 - accounted for a large share of take-up in the current report year. Overall, the mood on the markets in the "Big Seven" is much more optimistic.

- For 2022, DIP is expecting a rising or at least consistent office space take-up in line with the long-term average for the majority of the analysed office markets, meaning that after take-ups of around 3.43 million m² (2020) and 3.85 million m² (2021), we might see a transaction volume of roundabout four million m².
- The trend towards an ever lower supply reserve seems to have come to a halt for the time being. Depending on the location and infrastructure quality, it must be assumed that vacancies in buildings with less favourable fair price-performance ratios will increase (moderately), also in view of increased marketing competition, which can be attributed to higher office space completion volumes on many DIP markets in particular.
- With regard to rent levels, we still believe that prices will continue to rise in the future. For one thing, there are moderate increases in space supply, and for another, the demand driving growth will continue to rise in the wake of the ESG compliance.

Rent levels in inner-city locations

Top rents and average rents (as of 31st Dec. 2021) in EUR/m²



Source: DIP, Aengevelt Research

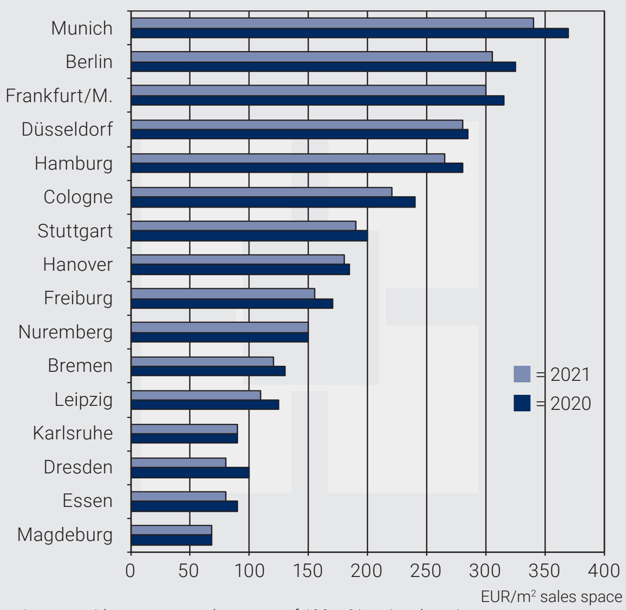
The market for retail space

Falling prime rents despite rising retail turnover

The situation on the retail market remains tense in the second year of the pandemic, 2021. The effect of months and months of lockdowns and additional access restrictions continue to put pressure on companies. Yet the German economy was able to recover in 2021 following the severe losses in the preceding year. The gross domestic product rose by 2.7 % year-on-year (EUR 3.56 trillion), but economic output is still about 2 % lower than in 2019, the year immediately before the pandemic. Yet the ifo business climate indicates an economic upturn. Business expectations rose to 104.0 points in June 2021 and are not only higher than the assessment of the current business situation in the last few months but also the highest point since the end of 2010.

Rapid and generous expansions to short-time work schemes and Covid aid ensured that the loss of revenue many companies suffered did not impact fully on the labour market. Yet unemployment had risen to 5.7 % in Germany in December 2021, much higher than in 2019 (4.9 %) but lower than in the previous year (2020: 5.9 %).

Peak rents* for retail spaces



* stores with an approx. sales space of 100 m² in prime locations, on ground level
Source: DIP, Aengevelt Research

Many were cautious with their purchases due to fears of reduced working hours or unemployment due to the pandemic, they also reduced spending on travel as well as gastronomic, leisure and cultural offers. This means that the savings rate rose to an above-average 15 % in 2021, a moderate decline by one percentage point when compared to the previous year (2020: 16 %). An easing of Covid restrictions and the hope to have gotten on top of the pandemic caused the savings rate to fall noticeably in the summer of 2021 (10.7 %). But the higher willingness to spend met with an obstacle in the autumn of 2021 in the form of a fourth Covid wave. Moreover, consumer prices rose by an average of 3.1 % year-on-year in Germany in 2021, meaning that any increase in actual wages was fully negated by inflation. The last time inflation was higher was 30 years ago (1993: 4.5 %). In December 2021 alone, inflation - the rate at which consumer prices have changed year-on-year - amounted to 5.3 %. This means inflation rose to its highest at the end of 2021.

Despite these difficult conditions and higher savings, retail saw a new record turnover of EUR 565.1 billion in 2021. This is a nominal 3.1 % increase of turnover, compared to 2020 (EUR 548 billion). A differentiated analysis is necessary, as the market had clear winners and losers. The undisputed winner is the growing online and mail-order trade, with its pandemic turnover soaring (2019 - 2020: +23 %; 2020 - 2021: +9 %) and turnover increase continuing even during phases of eased restrictions. High-street retail, on the other hand, suffered massively from the measures designed to combat the pandemic and is coming under ever more pressure. Non-food retail, such as textiles, clothing, shoes and leather items were hit particularly hard with a forecast 30 % loss of turnover.

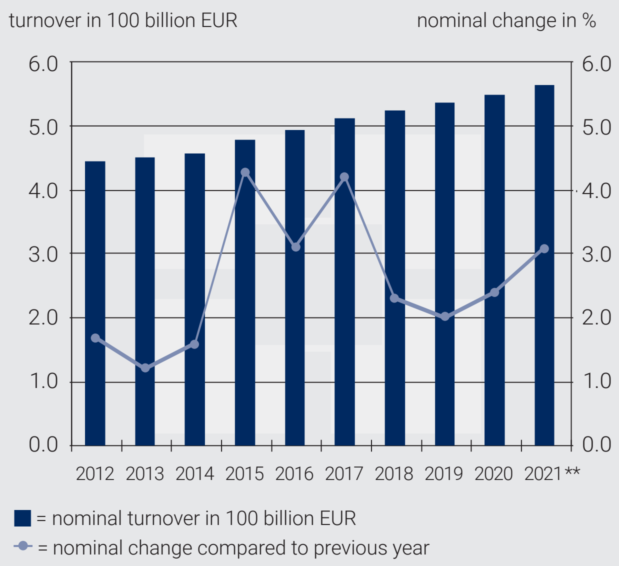
Falling rent levels in attractive top locations

In the course of the Covid-19 pandemic, demand for retail space fell at both city centres and peripheral locations. Even though established and highly frequented prime locations have been benefiting during the last years, particularly from the targeted settlement of expanding national chains, and, at the same time, from international chains entering the market (particularly in the clothing sector), repeated lockdowns and restrictions in Germany in the 2021 reporting year led to significant losses in revenue, especially with stationary retailers.

In the "Big Seven", rents levels at absolutely prime top locations at the end of 2021 ranged between EUR 190.00/sqm retail area in Stuttgart and EUR 340.00/sqm retail area in Munich. The remaining market-leading retail metropolises are Berlin (EUR 305.00/sqm), Frankfurt am Main (EUR 300.00/sqm), Düsseldorf (EUR 280.00/sqm), Hamburg (EUR 265.00/sqm) and Cologne (EUR 220.00/sqm). This means that the average prime rent in 2021 amounted to about EUR 271.10/sqm, a 5.7 % decline year-on-year (2020: EUR 287.90/sqm).

Prime retail rents came under pressure elsewhere in the reporting year 2021, too. Only the DIP locations Magdeburg, Nuremberg and Karlsruhe reported solid prime rents. On average, EUR 115.00/sqm were paid at top prime locations, about 7 % less (EUR 123.10/sqm) than in 2020. Based on absolute figures, prime rents at the analysed DIP locations are about 58 % lower than in the market leading retail metropolises of the "Big Seven".

Turnover of retail spaces* in Germany 2012 until 2021



*without automotive, gas stations, fuels and pharmacies

**calculated in December 2021 Source: HDE, Federal Office of Statistics

Rents fell by between 1.8 % and up to 20 %, a huge range and a clear indicator of just how different market development has been at the various DIP locations we analysed. For example, rents fell only moderately in Düsseldorf (-1.8 %) and Hanover (-2.7 %), while Frankfurt am Main (-4.8 %), Stuttgart (-5.0 %), Hamburg (-5.4 %), Berlin (-6.2 %), Bremen (-7.7 %), Munich (-8.1 %), and Freiburg (-8.8 %) reported higher losses, which are roughly in line with the DIP average (-6 %). Prime retail rents in Essen (-11.1 %), Leipzig (-12 %) and Dresden (-20 %), on the other hand, fell much more dynamically.

Perspectives and investment opportunities

The overall retail investment market turnover of EUR 8.3 billion initially gives cause to assume weak market dynamics, as this would constitute a serious 29.7 % less than in the previous year. Similar to 2020, market dynamics in the first half of 2021 were much weaker than in the second half of the year. Total turnover in the last two quarters was EUR 5.26 billion, or 63.4 % of total transaction volume. The "Big Seven" in particular have been facing the effects and uncertainties of the retail sector during the Covid pandemic. Transaction volume in the "Big Seven" fell by 23 % compared to last year.

But even though the overall result on the retail market seems sobering at first, there is no lack of interest in commodities. The turnover result must be subjected to a differentiated analysis to highlight the individual drivers of development. Specialist and food retailers, for example, proved themselves to be crisis-resistant and acted as a reliable turnover driver. Additionally, investors were less likely to take risks and investment profiles were aligned with the current pandemic, meaning that demand for core properties remains high. Another positive sign is the noticeable upturn on the retail market in the second half of the year. Even though 2022 as well will depend on the progress of the pandemic, especially on duration and severity of restrictions and Covid aid, both falling unemployment and the positive position of the German economy are pointing towards a recovery in 2022. This opens up opportunities for investments in retail properties and we are expecting stronger transaction dynamics for 2022.

The market for real estate investment

Record turnover on the investment market

Thanks to an excellent performance in the asset class Residential, the investment market recorded its best result to date, despite the ongoing Covid pandemic; the result of EUR 111.8 billion is 26 % higher than the previous record of the pre-Covid year 2019. Simultaneously, the residential investment volume exceeded EUR 50 billion for the first time:

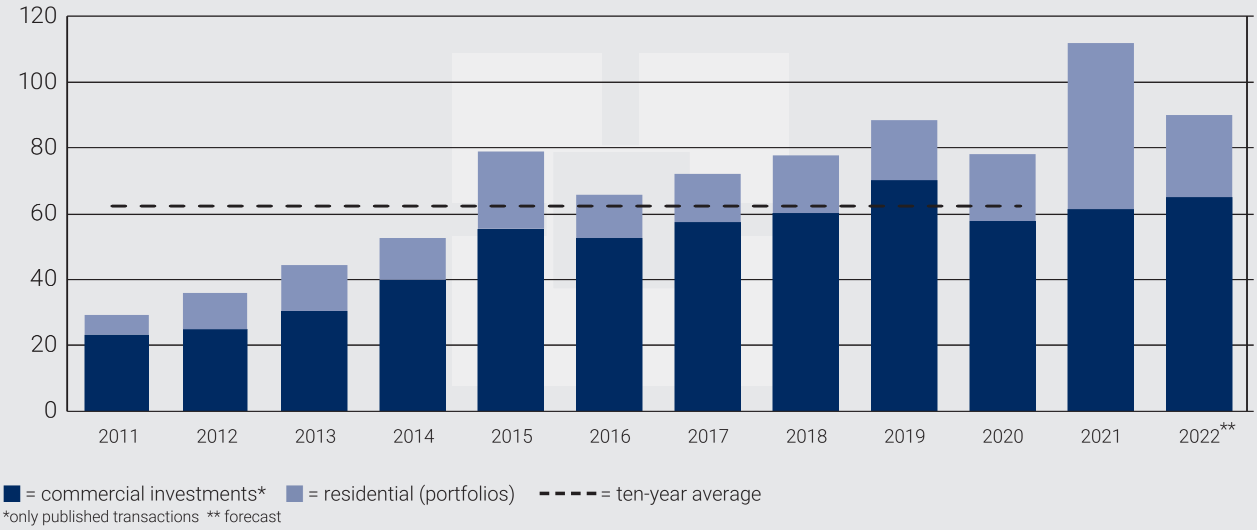
- The investment market recorded a total transaction result of EUR 111.8 billion in 2021, almost 43 % more than in the previous year 2020 (EUR 78.1 billion) and a considerable 79 % more than the ten-year average.
- Commercial investments remained the largest group with about EUR 61.4 billion, approximately 6 % more than in the previous year. This result was also 30 % higher than the current ten-year average.
- Residential portfolios accounted for about EUR 50.4 billion, 150 % more than in the previous year and 234 % above the ten-year average.

Office properties again remained the most sought-after asset class in 2021, accounting for about 49 % of commercial investment volume, followed by the fast-growing segment logistics properties (15 %). The third largest volume this year was recorded for retail investments, with 30 % less year-on-year. Other investments, such as hotels and care homes, saw their market share rise moderately.

Based on the extraordinarily high turnover volume in 2021, DIP is expecting a lower result for 2022, which should nonetheless be higher than in 2020 and is likely to return to pre-Covid levels.

The still low interest rates and the lack of secure alternatives with higher returns continue to drive the investment market, according to analyses of DIP. The return spread between commercial buildings and running returns has largely been amounting to more than four percentage points in the past years – it currently amounts to about 4 percentage points. Logistics returns are only 0.3 points higher. The in-

The German Real Estate Market: transaction volumes of commercial and residential investments
in billion EUR



Source: DIP, Aengevelt Research

Table 1: Real estate investment in Germany split by property type

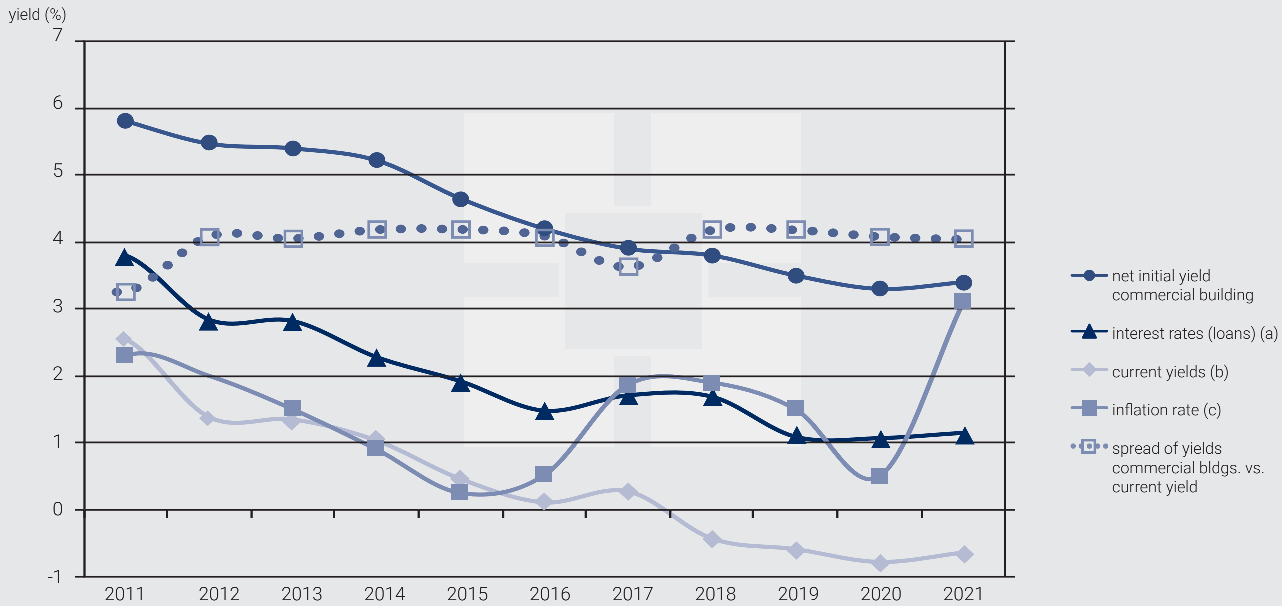
Property type	Rank	Turnover				Share	
		2021	Difference to the previous year		2020	2021	2020
	2021	EUR in bn	EUR in bn	(%)	EUR in bn	(%)	(%)
Office	1	30.1	4.2	16.2%	25.9	49%	45%
Logistics (incl. light industrial)	2	9.5	1.8	23.4%	7.7	15%	13%
Retail (incl. commercial buildings)	3	8.3	-3.5	-29.7%	11.8	14%	20%
Others	./.	13.5	1	8.0%	12.5	22%	22%
Commercial properties, in total	./.	61.4	3.5	6.0%	57.9	100%	100%
Residential portfolios	./.	50.4	30.2	149.5%	20.2		
Total real estate investments	./.	111.8	33.7	43%	78.1		

creasing scarcity of core properties that meet market requirements remains a limitation for trade. Returns tend to fall further at a moderate rate and are already substantially below 3 % at top locations, especially in the segment qualified residential, but to a lesser extent for offices, too. The base rate remains at zero. At which pace and to what extent this will act as a negative parameter on the investment market remains to be seen. The strong rise of prices for office and commercial properties can, amongst others, be explained by still too low investments in commercial construction, which fall short of meeting the high demand.

Commercial investments in the “Big Seven“

The transaction volume in the “Big Seven” amounted to EUR 35.4 billion in 2021, about 3 % less than in the previous year. The share in overall German commercial investments accounted for by the “Big Seven” fell by 5 percentage points year-on-year, to now 58 % (2020: 63 %). As in the previous year, Berlin is leading the list of the “Big Seven” with a transaction volume that was 3 % higher than in the previous year with approximately EUR 11.1 billion. Recording a transaction volume of EUR 7.1 billion, a 29 %

Investment environment: yields (commercial buildings, securities) interest, inflation



Note: (a) loans for residential bldgs., 5 to 10 years, as of Sept. of each year, private, new loan (b) current yields of domestic bearer bonds, total of averages (c) consumer price index (total) for Germany

Source: Deutsche Bundesbank, own calculations, Aengevelt Research improvement year-on-year, Munich ranks second. Strong growth was recorded on the investment market Cologne with a 140 % plus and a transaction volume of EUR 3.6 billion. Stuttgart as well saw turnover rise considerably: Transaction volume rose by 58 %, but was still the lowest among the “Big Seven” with EUR 1.9 billion. Falling turnovers were recorded in Hamburg (-51 %), Düsseldorf (-39.5 %) and Frankfurt (-15 %).

Given the Covid-driven restrictions on everyday life and work, a turnover of EUR 35.4 billion on the commercial investment market of the “Big Seven” is a solid result. For 2022, DIP is expecting a potential increase of commercial turnover in the “Big Seven”. It can be assumed that the uncertainties regarding investments that were caused by Covid will reduce during the year as investors begin to accept the situation and will make the investments so far put on hold in 2022 according to the forecasts of DIP.

Levels of returns continue to fall

High occupancy rates in core properties at prime locations mean that national and international investors are ready to accept low top returns in the light of quite probable and realistic prospects of an increase in value. The still low interest rate level and the security that - also international - investors see in German investments are compressing returns at secondary and tertiary locations and even in some prime-rated cities also. As forecast by DIP, returns continued to fall moderately in all German centres of the DIP association, namely by an average 10 - 30 base points between 2020 and 2021. Yet they are still higher than those for other similarly long-term and simultaneously safe investments:

- Top commercial properties offer top returns of approximately 3.4 % (2020: 3.5 %), returns for pure office buildings are higher with 3.5 % (2020: 3.6 %), on average by 10 base points. At some locations, the difference is much more pronounced with up to 180 base points.
- Returns for self-service shops and specialist retailers are falling slightly, but these properties remain attractive with average top returns of 5.3 % (2020: 5.4 %).
- A further compression was recorded for the top returns for logistics properties, amounting to 4.3 % in 2021 (2020: 4.5 %).

The picture of top returns or top factors can be differentiated as follows for the different cities of the DIP association: Munich has been the traditional leader in regard to prices, followed by the remaining “Big Seven”. While the trend towards a compression of returns continues across all asset classes in secondary cities, the development is more differentiated in the “Big Seven”: We are seeing a

Table 2: Top returns and multipliers at DIP locations

Location	Turnover				
	Rank 2021	2021 (EUR billion)	Difference to the previous year (EUR billion)	Difference to the previous year (%)	2020 (EUR billion)
Berlin	1	11.1	0.3	2.8%	10.8
Munich	2	7.1	1.6	29.1%	5.5
Frankfurt	3	6.3	-1.1	-14.9%	7.4
Cologne	4	3.6	2.1	140.0%	1.5
Hamburg	5	3.1	-3.2	-50.8%	6.3
Düsseldorf	6	2.3	-1.5	-39.5%	3.8
Stuttgart	7	1.9	0.7	58.3%	1.2
Real estate investment “Big Seven”		35.4	-1.1	-3%	36.5
“Big Seven” share in commercial investments		58%	-5%		63%

© DIP, Aengevelt Research

sideways shift for most self-service and specialist retailers, but there are also individual cases of a compression of returns. Returns for commercial buildings, on the other hands, tend to rise.

In justifiable individual cases, the aforementioned factors typical of reductions are not reached in some cases or, sometimes, they are exceeded. In an optimal mix with retail (residential and commercial building), top properties can, in individual cases, achieve prices that are much higher than the average.

Residential investments

2021 has become a record year for residential investments. The transaction volume of EUR 50.4 billion is the highest turnover on record and 234 % higher than the most recent ten-year average. The Covid pandemic provided yet more fuel for residential investments as lockdowns shifted the limelight to larger, more attractive housing - and as housing supply is still scarce in growth regions, especially in the "affordable medium price range", residential investments are considered a safe haven for capital investors. The acquisition of Deutsche Wohnen by Vonovia SE for about EUR 22.5 billion had a huge impact on the total residential investment volume in 2021. This mega deal single-handedly accounted for more than 44 % of the total transaction volume generated with residential assets. But is seems likely that a record result would have been achieved even without the merger of these two companies.

As in the previous years, residential properties on the DIP markets generated top returns (new and existing buildings after thorough refurbishment) of 3.0 %. Again, Munich is

Table 3: Commercial real estate investments in the "Big Seven"

Location	Commercial buildings		Residential		Self-service/specialised retailer	
	Return	Multiplier	Return	Multiplier	Return	Multiplier
Berlin	3.0%	33	2.4%	42	4.8%	21
Bremen	4.3%	23	3.8%	26	5.3%	19
Dresden	3.3%	30	3.1%	32	6.3%	16
Düsseldorf	2.9%	35	2.6%	39	4.0%	25
Essen	4.5%	22	4.2%	24	5.3%	19
Frankfurt/Main	2.8%	35.5	2.8%	36	4.2%	24
Freiburg	3.8%	26	2.8%	36	5.3%	19
Hamburg	2.3%	44	2.6%	39	4.3%	23
Hanover	3.8%	26	3.3%	30	5.1%	19.5
Karlsruhe	4.0%	25	3.1%	32	8.3%	12
Cologne	3.1%	32.5	2.8%	36	4.7%	21.5
Leipzig	3.7%	27	2.9%	35	5.0%	20
Magdeburg	4.3%	23	3.8%	26	6.3%	16
Munich	2.5%	40	1.9%	53	3.8%	26.5
Nuremberg	3.4%	29.5	3.2%	31	6.5%	15.5
Stuttgart	3.2%	31	2.9%	34	5.6%	18
DIP-16	3.4%	30.2	3.0%	34.4	5.3%	19.7

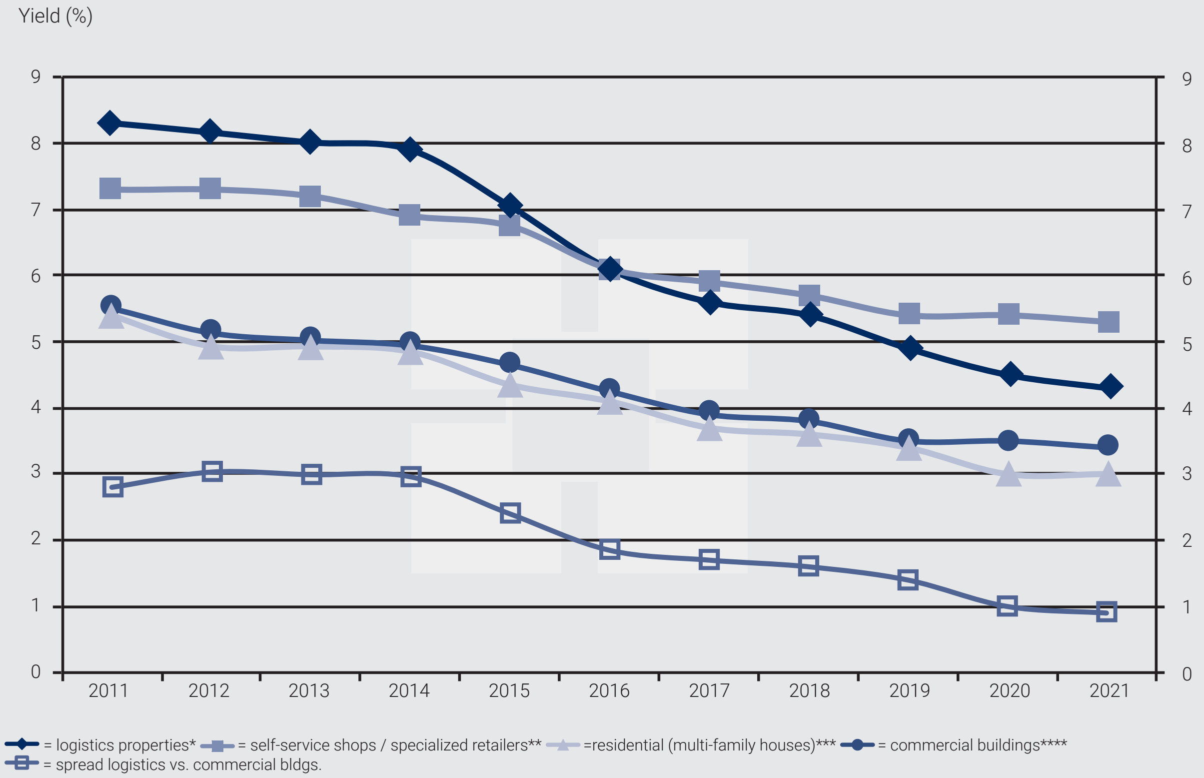
topping the price list with 1.9 %, followed by the remaining "Big Seven" with 2.4 % to 2.9 %. In line with the general trend of increasing investments at secondary and tertiary locations that offer higher returns, the returns on the DIP markets are lower – and sometimes notably so – than 4 %, with the exception of Essen (4.2 %).

One way to relax the price and return race would be the creation of a larger supply in form of new builds, refurbishments of existing residential developments and the rededication of disused and potentially soon vacant retail buildings and premises no longer used by the public sector (Bundeswehr, national rail, post, etc.). Even though the number of building permits for new construction rose slightly in 2021 when compared to the previous year (approx. +2.8 % year-on-year in November), it remains to be seen how the lack of available plots and areas for construction that meet the demand and are available at short notice, the sometimes time-consuming administrative hurdles posed by (usually) excessively long planning and application approval procedures as well as the lack of capacity in the construction companies will impact on permit and especially completion figures in the future. In a year-on-year comparison in November, the prices for new construction of conventionally built residential buildings rose by 14.4 %.

Irrespective of continuing high capacity utilisation, we expect to see a somewhat positive development, with the fringes of urban centres standing to benefit the most - both as a result of no empty plots being available for construction in city centres and due to the rising popularity of working remote. According to DIP analyses, return compression at secondary and some prime locations will continue, at least in the medium term.

Further strong demand for new-built properties is expected for 2022. The topic ESG will continue to shape the property market and will be of considerable importance for institutional investors and family offices in particular. ESG-compliant developments will be popular, fuelling demand for new houses built in line with strict sustainability specifications and causing property prices to rise - especially in growth regions.

Net initial yields* of real estate asset classes



* peak ** food stores and specialised retailers *** multi-family houses, prime locations, high-quality fittings, **** inner-city locations, high-quality or contemporary fittings, with a major part of retail

Source: DIP, Aengevelt Research

The market for logistics premises

Uninterrupted growth

	peak rent in EUR/m²			top yield %/a		
Location /Year	2020	2021	Trend 2022	2020	2021	Trend 2022
Berlin	6.4	7.3	↗	4.3	3.8	↘
Bremen	4.7	4.7	↗	4.8	4.2	↘
Dresden	5.1	5.4	↗	6.0	5.5	↘
Düsseldorf	6.0	6.2	↗	4.7	4.1	↘
Essen	5.1	5.2	↗	5.4	5.1	↘
Frankfurt am Main	6.7	7.0	↗	3.9	3.3	→
Freiburg	5.1	5.2	↗	5.1	4.6	↘
Hamburg	6.4	6.5	↗	3.8	3.3	→
Hanover	5.2	5.3	↗	4.1	3.5	↘
Karlsruhe	5.7	5.8	↗	5.4	5.0	↘
Cologne	5.8	6.0	↗	4.2	3.7	↘
Leipzig	4.9	5.0	↗	4.8	4.5	↘
Magdeburg	4.5	4.7	↗	6.1	5.5	↘
Munich	7.3	7.5	↗	3.7	3.5	↘
Nuremberg	5.8	6.1	↗	5.6	5.6	→
Stuttgart	6.9	7.1	↗	4.6	4.0	↘
DIP average	**5.8**	**5.9**	↗	**4.8**	**4.3**	↘

Source: DIP, Aengevelt Research

The logistics sector continues to be one of the biggest winners in the real estate industry in the second year of the pandemic. The logistics market benefited from solid economic growth and rising consumer demand. As a result, logistics and industrial properties move ever more into the focus for investors, being as they are considered crisis-resistant and sound investment opportunities.

One of the factors driving the strong demand for logistics properties is the continuous uncurbed growth of online and mail-order trade. Since 2015, turnover in online trade has been rising an average of 9.5 % per year. With the start of the pandemic in 2020, this trend became only more dynamic. According to research of the Federal Statistics Office, online trade turnover rose by 23.8 % in 2020, much more than it had in 2019. This rapid development continued in 2021: Even after high-street retail reopened in spring 2021, real turnover in online trade, adjusted for calendar and seasonal effects, rose by about 9 % year-on-year. Compared to 2019 turnover even rose by 36 %. Pandemic-related restrictions also led to a profound change in consumer behaviour across Germany.

Other factors in the noticeable increase of demand for logistics properties are the global material shortages and delivery issues. They result in traders and logistics providers stockpiling goods - creating buffer warehouses - to be able to relativise and, where possible, avoid interruptions of the delivery chain.

But it is not only the B2C business that generates long-term growth perspectives for the logistics sector. Also in the B2B segment an increasing degree of globalisation, supra-regional product networking, just-in-time deliveries and supply chain management for the “industry 4.0” results in more demand for this asset class of multi-modal traffic hubs with national and international connections.

Advanced concepts

The growth of online trade and the inclusion of fresh produce in online offers result in rising demand for innovative concepts such as Same-Day-Delivery or Q-Commerce, i.e. online trade with exceptionally short delivery times. To ensure that these advances can be implemented, small logistics premises at central and decentralised locations (cross docking stations, last-mile-hubs, etc.) must quickly be put in place across the city. What these hubs need from premises is not identical to the needs of typical logistics, shopping mall or retail premises. Small premises between 250 m² and 1,000 m² are needed in large cities so that goods can be with the customer in 10 to 60 minutes. Order volume is fluctuating, demanding excellent logistics connection within the delivery area. Given the increasing traffic volume in city centres and in densely populated residential areas, it seems likely that we will see more and more demand for - relatively small - electric vehicles (e-bikes, e-vans and similar) and, as soon as possible, also for parcel drones. Simultaneously, demand for such restructuring is also fuelled by current and future global efforts regarding climate change, a change in how we use energy and new mobility.

As a result, DIP is expecting rising numbers of developments, owner-occupiers, lettings and investments in the "traditional" logistics property segment. In densely populated areas, the availability of smaller, decentralised logistics properties that are closer to the customers will be the factor determining a positive investment outcome. Yet the rising demand for cross docking stations, last-mile hubs and online shops on the high streets, in district city centres and residential areas is often still facing an insufficient supply of suitable and affordable premises because high streets and areas close to the city centres were not intended for this type of use.

Here, there are opportunities in the rededication of retail premises that will or even already are otherwise left unused as they suffer - despite their privileged location - from an ever higher number of vacancies. Such rededication could bring the chance of continued profit. Similar developments can be seen in regard to conveniently placed premises used by petrol stations and commercial businesses. City logistics will have to learn to integrate into innovative urban traffic concepts that are being and will be developed and implemented now and within the next years.

Logistics investment and letting / owner-occupiers in Germany

Since 2016, more than four million square metres of new logistics premises have been completed every year. Regardless of high construction activities in recent years, there is a lack of modern and sustainable logistics properties that meet demand. One important reason for this is the much shorter profit lifecycle of logistics properties. This means that only a small part of existing premises is suitable for third-party utilisation that would make them structurally sound for conventional investors. As a result, producers, traders and providers of logistics services are more and more often opting for project developments, either those to be realised in cooperation with specialised developers and investors, or which they realise independently. Especially some large players on the online market switched to own project developments in order to get properties customised to their needs.

In 2021, the logistics market generated a new record turnover of EUR 9.5 billion, a considerable 23 % more when compared to 2020 (EUR 7.7 billion). Market dynamics were balanced on the most important property markets in the financial year 2021. Leader among the "Big Seven" this year is Hamburg with a turnover of EUR 725 million, a new record for the Hanseatic city. Berlin ranks second with a turnover of about EUR 680 million. The larger cities along the Rhine, Düsseldorf and Cologne, also saw turnover rise year-on-year to EUR 183 million and EUR 190 million respectively. Due to the lack of logistics properties at central locations that would meet demand, no increases were recorded on the remaining markets in 2021.

Top transactions included the purchase of the pan-European EQT/Exeter fund "Europe Value Venture Fund III" by the Asian government fund GIC (Singapore) for EUR 3.1 billion. About EUR 600 million of this sum went to the German logistics market, including locations in Berlin, Hanover, Paderborn and Dortmund. The Tristan fund "Episo 5" also secured several high-performance logistics properties at attractive locations as part of the billion-Euro Summit Portfolio.

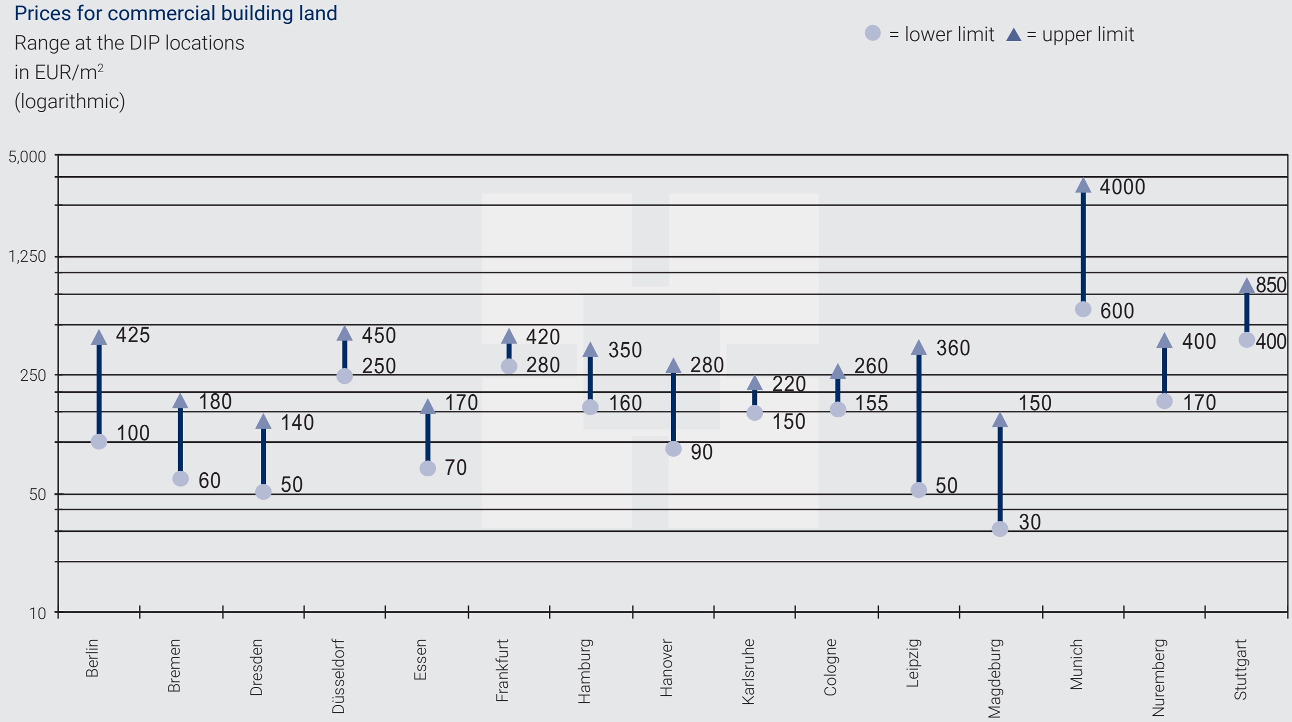
New record for logistics letting

About 8.3 million m² of let or newly completed properties for owner-occupiers in 2021 meant a new record. This is another 19 % more than the already excellent result of the previous year (2020: 6.96 million m²). Similarly, the five-year average (Ø 2016 - 2020: about 6.82 million m² per year) was exceeded by a considerable 21.6 %. With a take-up of about 2.6 million m², a large share was again accounted for by the "Big Five" in 2021 (2020: about 1.76 million m²), among which the logistics region Frankfurt am Main ranked first with 740,000 m², followed by Hamburg (630,000 m²), Berlin (602,000 m²), Düsseldorf (360,000 m²) and Munich (220,000 m²). This means that Düsseldorf more than doubled its space take-up in 2021 (+105 %). The continuous strong and further increasing interest in logistics spaces also illustrates the rising attractiveness of this asset class for investors. As strong demand is focusing more and more on very modern premises, pre-letting figures are high which means that only a very small share of project developments are available on the market for speculations.

Like in previous years, the price level for first-class logistics premises rose again and returns kept falling in the course of 2021. Returns for core properties fell to less than 4 % and are approaching 3 %. Top returns in the 16 DIP locations analysed (Berlin, Bremen, Dresden, Düsseldorf, Essen, Frankfurt am Main, Freiburg, Hamburg, Hanover, Karlsruhe, Cologne, Leipzig, Magdeburg, Munich, Nuremberg and Stuttgart) averaged out at 4.3 % in 2021 and were thus 50 base points lower than in the previous year (2020: 4.8 %):

- Comparing 2021 (3.2 %) to 2020 (3.6 %), returns in the "Big Seven" fell by a total of 40 base points.
- The most expensive cities, based on top returns for top logistics properties, are Hamburg and Frankfurt am Main with a peak return of 3.3 % each. Hanover and Munich rank second with 3.5 % each. Higher returns were generated in Cologne (3.7%) and Berlin (3.8%).
- Roughly in line with the DIP average (4.3 %) are top logistics properties in Stuttgart (4.0 %), Düsseldorf (4.1 %), Bremen (4.2 %), Leipzig (4.5 %) and Freiburg (4.6 %).

Prices for commercial building land
Range at the DIP locations
in EUR/m²
(logarithmic)



Source: RIWIS, Bulwiengesa
Note: The aforementioned prices are for a developed plot in higher-quality industrial estates or for commercial areas that are reached easily (excluding old industrial or production sites in city centres). Usually, these have a property price space index of between 0.6 to 1.1.

- The highest top returns for top logistics properties are paid in Karlsruhe (5.0 %), Essen (5.1 %), Dresden and Magdeburg with 5.5 % each and in Nuremberg with 5.6 %.

There are opportunities for targeted investment if one takes into account that, depending on the quality of the rental contracts (rent, term, creditworthiness of the tenants) and the property (location, type of third-party use, structural age, condition), initial returns are usually spread 2 percentage points higher than the top returns at prime locations and up to 3.5 percentage points higher at the other locations. The willingness of investors to take risks rose, especially in the segment of the "Value Add" assets. Investors are also beginning to perceive little to no risks associated with properties with relatively contractually short leases, provided that the properties are located in growth regions.

Rising rent level

Rent levels rose at almost all DIP locations in 2021, both at top and at secondary locations. This is evidence of the strong demand for the limited number of premises that meet the demand for modern and sustainable properties. Prime rents at DIP locations rose accordingly, on average (+1.8 %) from EUR 5.80/m² (2020) to EUR 5.90/m² (2021); due to the even stronger rise of purchase prices, however, the compression of returns continues:

- The most expensive logistics locations, based on prime rent, are the strong economies Munich (EUR 7.50/m²) and Berlin (EUR 7.30/m²) that have suffered from a scarcity of supply for years. Other high-priced locations are Stuttgart (EUR 7.10/m²), Frankfurt am Main (EUR 7.00/m²) and Hamburg (EUR 6.50/m²).

- Düsseldorf (EUR 6.20/m²), Nuremberg (EUR 6.10/m²), Cologne (EUR 6.00/m²) and Karlsruhe (EUR 5.80/m²) are roughly in line with the average DIP level (EUR 5.90/m²), while premises in Dresden (EUR 5.40/m²), Hanover (EUR 5.30/m²), Essen and Freiburg with EUR 5.20/m² each and Leipzig (EUR 5.00/m²) are (still) cheaper to rent.

- Bremen (EUR 4.70/m²) and Magdeburg (EUR 4.70/m²) remain attractive for companies thanks to the continuously low prices.

Land price levels for new builds

The average prices for commercial building land on the 16 DIP markets we analysed have now risen to about EUR 258.00/m². This constitutes a further increase by 5.3 % when compared to the previous year (2020: EUR 245.00/m²). Many property markets have seen a considerable change in prices in the recent past. The increasing scarcity of building land that meets demand and is therefore suitable for the market causes prices across Germany to rise - especially in the "Big Seven" this often causes investors to engage in real estate speculation and to wait, in order to achieve the highest possible sales price.

- The most expensive city is still Munich with an average of now EUR 820.00/m², followed at an increasing distance by Stuttgart (EUR 570.00/m²), Frankfurt (EUR 380.00/m²) and Düsseldorf (EUR 350.00/m²).
- The mid-table is formed by Hamburg (EUR 240.00/m²), Berlin (EUR 235.00/m²), Nuremberg (EUR 230.00/m²), Cologne (EUR 220.00/m²), and Freiburg (EUR 210.00/m²) as well as Karlsruhe and Hanover with EUR 200.00/m² each.
- Prices were much lower in Essen and Bremen with EUR 110.00/m² each, Leipzig (EUR 95.00/m²) and Dresden (EUR 85.00/m²).
- The on average cheapest commercial plots can still be found in Magdeburg (EUR 70.00/m²).

The aforementioned prices are for developed plots without prior contamination in higher-quality industrial estates or for commercial areas with optimal connections (excluding old industrial or production sites in city centres) with a property price space index of 0.6 to 1.1.

When assessing the development of property prices, however, it has to be borne in mind that a sharp increase in prices at central and ideal locations has to be expected due to scarcity of premises in particular. For example, well-sized plots are and remain subject to considerable mark-ups, especially old industrial or brownfield sites or former production sites in city centres.

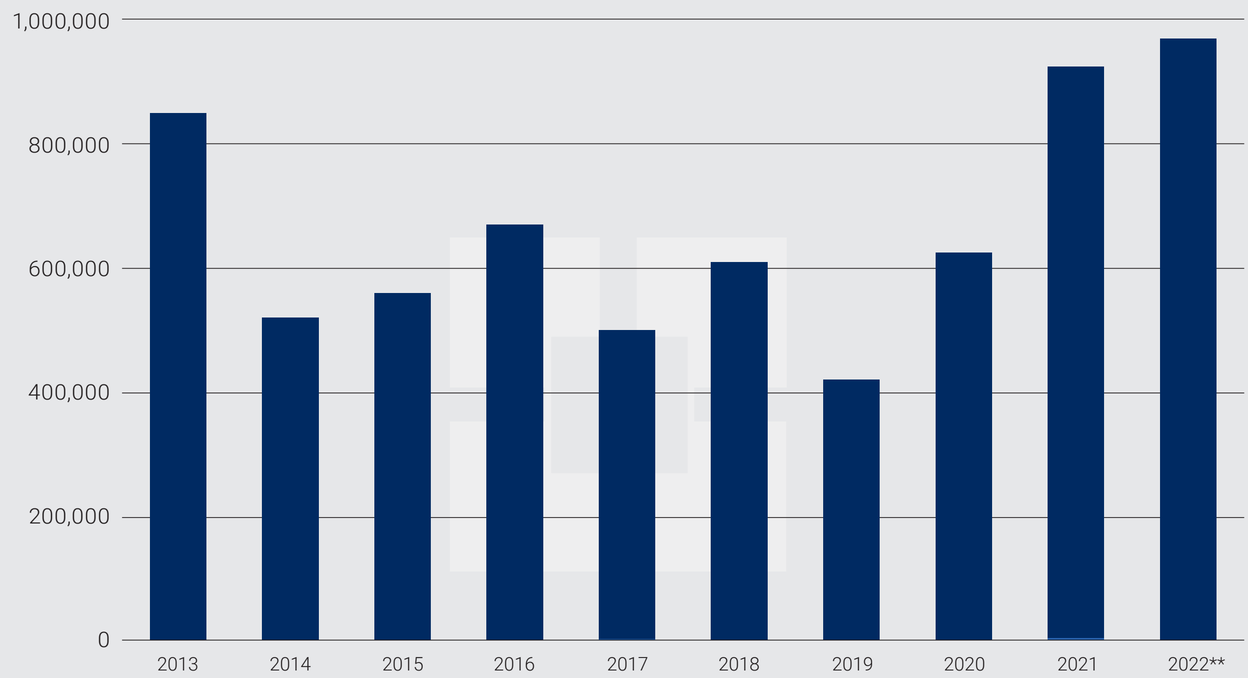
Construction at high level

The continuously high demand for modern logistics properties results in consistently high completion rates at the DIP locations. In 2021, about 925,000 m² of logistics premises were completed in DIP cities and their immediate surroundings. This is the highest completion figure of the most recent decade. Compared to the already very good result of the previous year (2020: 625,000 m²) and the long-term average (2011 - 2020: 581,000 m² p.a.), this is a considerable increase by 48 % and 59 % respectively. The previous record of 850,000 m² in 2013 was topped by 9 %. On the one hand, the strong growth of online trade had a positive effect on demand for small logistics premises on the high streets, but on the other hand, highly advantageous factors like infrastructural conditions such as optimal access to federal motorways and the airports of the DIP cities / regions also favour "green field" construction. The Covid pandemic is added fuel for the high demand for logistics premises, and construction and project planning are responding. Another high completion volume of about 970,000 m² for DIP locations is expected in 2022.

Outlook

The logistics segment of the German property market is one of the big winners of the year with all demand trends in urban centres to continue as before in the medium term. An even better take-up result would have been possible if the required areas and plots had been available for sale or lease. This means that increasing the supply of modern logistics properties that meet demand will remain the largest challenge in upcoming years. The effects of the pandemic act as an additional catalyst for the e-Commerce sector that has already seen strong continuous growth for several decades. Traditional retail is now more and more shifting to multi-channel trade strategies, i.e. a combination of a traditional and online presence with the option to deliver or collect the purchased items. As a result, completely new logistics concepts will have to be developed, especially for the last mile - from decentralised warehouses in the cities to micro-hubs in residential areas. According to DIP analyses, concepts will be needed that offer above-average dynamics and good perspectives for the logistics properties industry in the long term.

DIP locations
construction activity for logistics in m²*



* within the city fringe **forecast, known properties only

Source: DIP, Aengevelt Research

The real estate market in northern Germany

– a short overview of the year 2021

Residential properties

The Covid pandemic kept Northern Germany in its firm grip in 2021 as well. Yet the property market and prices remained unimpressed.

We analysed the cities Kiel, Lübeck, Timmendorfer Strand and Scharbeutz and saw that prices for residential properties rose between 4 % and 28 % year-on-year in 2021. As in previous years, the high quality of life along coastal areas such as the Lübecker Bucht makes the North so attractive. Any analysis has to differentiate between the cities Kiel and Lübeck, the Baltic coast and the interior.

In Kiel, the price for existing single-family houses rose by about 14 %. Prices m^2 rose from EUR 2,872 in the previous year to EUR 3,282. Freehold-flats (not new) sold for about EUR 3,608 m^2 on average in 2021, a 16 % price increase compared to the previous year.

With a price increase of about 28 % m^2, Lübeck is the winner of the two cities when it comes to single-family houses. Compared to the strong relative increase in prices for single-family houses, the prices for freehold flats (not new) rose by only 4 % year-on-year from EUR 3,968 (previous year) to EUR 4,144 m^2.

As in the past, the advertised prices for residential properties along the sought-after Baltic coast continued to differ widely from the prices paid in the two cities. But compared to historic data, it is obvious that especially Lübeck is catching up in regard to the prices paid for single-family houses. As far as freehold flats (both new and existing) are concerned, the leaders in our analysis are Timmendorfer Strand and Scharbeutz with prices of EUR 7,278 m^2.

Yet we are seeing falling prices for new-built freehold flats for the first time. In a year-on-year comparison, the Baltic coast areas Timmendorfer Strand and Scharbeutz saw prices fall by about 2 % in 2021, from about EUR 7,251 to about EUR 7,122 m^2, and prices for new-builts in Lübeck also fell by 3 %. Only Kiel saw prices for newly built properties rise. In 2021, purchasers had to pay an average of EUR 5,547 m^2 of residential area.

Residential property prices 2021

Location	Detached house, not new build* EUR / m² *(previous year)*	Detached house existing EUR / m² *(previous year)*	Detached house new build EUR / m² *(previous year)*
Kiel	3,282 *(2,872)*	3,608 *(3,107)*	5,547 *(5,023)*
Lübeck	4,002 *(3,120)*	4,144 *(3,968)*	5,457 *(5,618)*
Timmendorfer Strand und Scharbeutz	4,654 *(4,154)*	7,278 *(6,175)*	7,122 *(7,251)*

Source: IMV-Marktdaten-Vertrieb GmbH

*constructed in or prior to 2019

Retail spaces

As expected, the prices for retail premises across the North fell significantly. Both the Covid pandemic and the continuously growing online trade are and remain the driving factors for falling retail rents. Especially the large number of lockdown-related shop closures at the end of 2020 and in early 2021 made finding new tenants difficult across the entire region. Kiel in particular saw considerable pressure on retail rents and a subsequent noticeable decline of rent levels. Rents for (small) retail premises in prime locations fell by almost 11 % from EUR 45 to EUR 40 m². Lübeck had seen retail rents stagnate in the past years; in 2021, the average rent fell by between 3 % and 6 % compared to the previous year.

Comparison of rents for retail premises 2021 and 2020

Commercial core in EUR net, base rent	Prime location, small (approx. 60 m²) EUR / m² *(previous year)*	Prime location, large (approx. 150 m²) EUR / m² *(previous year)*	Prime rent in absolutely prime locations EUR / m² *(previous year)*
Kiel	40.00 *(45.00)*	20.00 *(22.00)*	60.00 *(70.00)*
Lübeck	75.00 *(80.00)*	29.00 *(30.00)*	75.00 *(80.00)*

Source: IVD Gewerbe-Preisspiegel 2021/2022

Office space

Rental prices for office spaces at the large cities in Schleswig-Holstein have undergone only minor changes. Office rents in Kiel remained stable in 2021.

In Lübeck, office rents fell slightly. The rent for simple utilisation value offices fell by about EUR 0.30. Rents for top premises fell by about 5 %.

Office rent – net, base rent, in EUR/m²

Location	Usage value simple *(previous year)*	Usage value average *(previous year)*	Usage value high *(previous year)*	Top locations *(previous year)*
Kiel	5.00 *(5.00)*	7.00 *(7.00)*	9.00 *(9.00)*	14.50 *(14.50)*
Lübeck	4.20 *(4.50)*	5.90 *(6.00)*	7.90 *(8.00)*	9.50 *(10.00)*

Source: IVD Gewerbe-Preisspiegel 2021/2022

Commercial building plots

In the past two years, prices paid for building plots in Lübeck's industrial estates had remained stable. In 2021, the prices for commercial plots then rose by between 18 % and 23 %. A supply of virtually zero is met by strong demand that cannot be satisfied. Commercial plots with a high utilisation value saw prices rise by about 23 %.

Prices for commercial land rose in Kiel, too. The prices paid for commercial land of simple utilisation value rose by 10 % and for plots with a high utilisation value by only 6 %.

Building plots in industrial estates in EUR/m² (including development costs, no subsidised prices)

Location	Usage value simple *(previous year)*	Usage value average *(previous year)*	Usage value high *(previous year)*
Kiel	55.00 *(50.00)*	70.00 *(65.00)*	85.00 *(80.00)*
Lübeck	48.00 *(40.00)*	59.00 *(50.00)*	74.00 *(60.00)*

Source: IVD-Gewerbe-Preisspiegel 2021/2022

The real estate market Amsterdam

COVID-19

The year 2021 was dominated by the corona crisis, which did not only grip the Netherlands, but the whole world. Although the expectation was that, during the course of the year, we would leave the crisis behind us and start to normalize more, after the summer, however, it turned out that we were cheering too early. By the end of the year 2021, the Netherlands was in a complete lockdown once again. However, due to intensive vaccination and renewed insights expectations were revised upwards for most sectors.

Office market

The advice to work from home as much as possible obviously has had an impact on the office market. The vacancy rate in the office market rose to around 6% and the expectation for 2022 is that it will continue to rise.

On the other hand, FRIS notices that the top locations for offices remain undiminished in popularity. In fact, there is a high demand for office space in prime locations. The price for a square meter of office space at the Zuidas amounts to more than € 40 per month, whereas for the city of Amsterdam it is € 20 sqm/m. It is expected that the rent per sqm of office space for Amsterdam as a whole will remain the same in 2022, whereas the price for office space at the Zuidas is expected to rise.

Residential Investments

On the real estate market, we see a varying picture. Due to the enormous scarcity of suitable properties the Dutch housing market, prices have risen again to record highs. Due to restrictions on construction in connection with nitrogen emissions and PFAS, plus a lack of building space, prices are unlikely to drop. At the beginning of the corona crisis, the rents in the higher segment started to decline, because many expats left the Netherlands, and it is this group that can bear the highest rents. However, we now see that rents in all segments continue to rise. This is due to the huge housing shortage on the Dutch market.

The shortage of housing makes it more difficult for investors. Scarcity, higher transfer taxes and increasing restrictions on investors in the housing market cause less investment in the housing market. Large brokerage firms are seeing a dramatic decline, with the total transaction volume in 2021, including new construction, coming in at 7.7 billion €. That's a 32.5% drop from the transaction volume in the year of 2020, in which over 10 billion euros worth of homes were sold.

Logistics

The Netherlands is known as a major transit country, thanks to the hubs Schiphol and Port of Rotterdam. Not surprisingly, the logistics market in the Netherlands has been on the rise for years. Of course, there are logistics sectors that have been affected, but partly due to the enormous increase in e-commerce and the awareness of companies that too tight planning in the supply chain entails risks, as a result of which companies want to store their stock closer to the production facility and demand additional logistics space. As a result, the gross initial yield (GIY) remains at the top with a top GIY of 3.5% and a bandwidth of 3.5% - 4.5%.

Retail

As mentioned earlier, e-commerce has increased enormously due to the corona crises. The rise of online shopping is relevant and important in the retail sector. There too we can see the consequences of the corona policy; with the closure of physical shops, online commerce has taken off. Whereas the centre of Amsterdam always had a great attraction for tourists, travelling has stagnated due to the corona crisis. Tourism collapsed in the year 2021 due to difficult entry restrictions and (semi-) lockdowns. It is expected, however, that, as soon as the crisis and associated restrictive measures are over, the centre of Amsterdam can again expect large flows of people.

Rents in prime areas are between € 500/m²/year and € 800/m²/year in 2021, prime rents (top prime locations) are € 2,800/m²/year in 2021, and for 2022 it is expected that this will remain the same. However, rents in secondary areas (from € 200/m²/year to € 325/m²/year) for retail are likely to decline in 2022. Demand for retail space is also expected to decline in 2022.

Preview of the Dutch investment market in 2022

2022 is going to be an exciting year. The economic recovery started in 2021 and is expected to continue in 2022.

In the office market, the dichotomy will continue to emerge; on the one hand, the shortage in prime locations will increase. On the other hand, the demand for office space in secondary or even tertiary locations will decrease due to working from home-policies.

In the retail market, we see that local shopping centres are popular for daily shopping, while the corona crisis makes busy shopping streets less desirable.

Logistics continues to be as popular as ever, especially as physical shopping shifts to an online environment, where a high demand for storage space can be stated.

The Dutch housing market remains in strong demand, especially due to the enormous demand for housing and the lagging supply. However, restrictions are making it increasingly difficult for institutional investors.

Making predictions about what course real estate will take remains uncertain, but at FRIS we will be keeping a close eye on it!

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