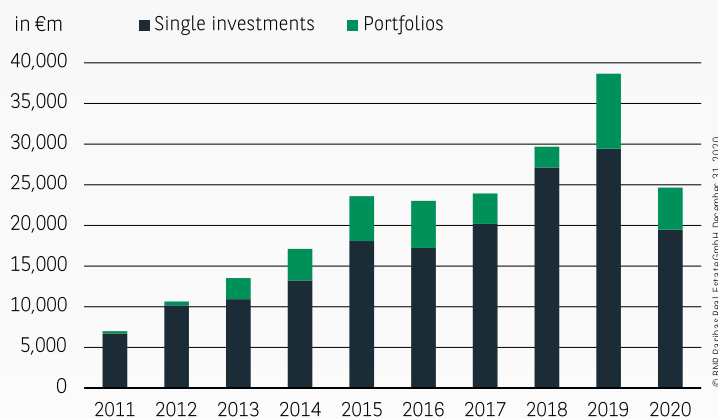




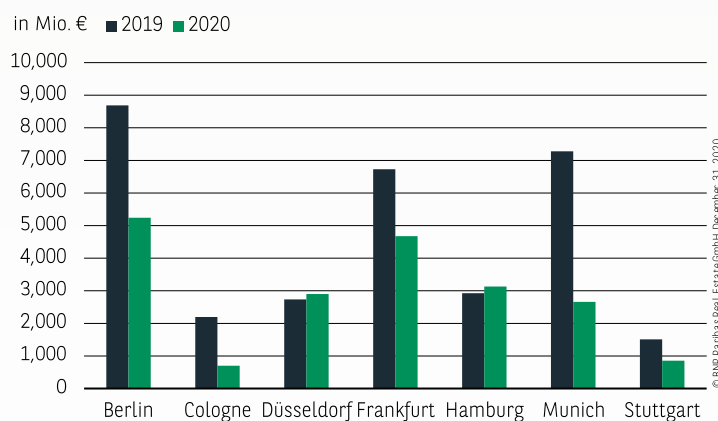
At a Glance **Q4 2020**

# OFFICE INVESTMENT MARKET GERMANY

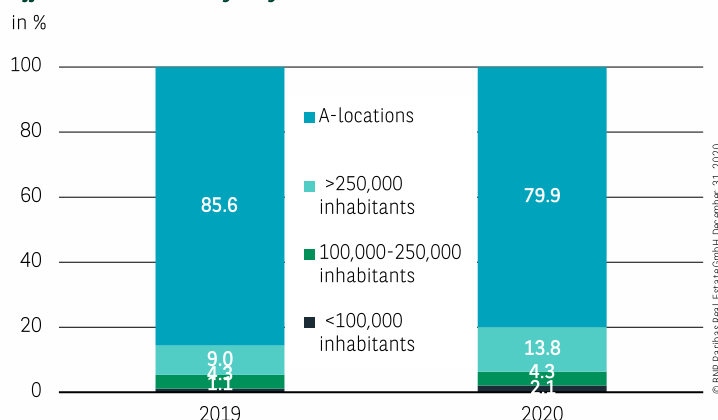
## Office investments in Germany



## Office investments in the A-locations



## Office investments by city size



### UNDISPUTED NO. 1 DESPITE ADVERSE CONDITIONS

Although the general conditions for office investments were challenging in 2020 and will remain so for the time being during the rest of 2021, one of the best results in history was achieved. The impact of the Corona pandemic on overall economic development and the service sector in particular has been enormous. In addition, the lockdown months in particular have shown that working from a home office can work quite well. The debate about how and where we will do office work in the future has been sparked and is sometimes heated. Nevertheless, investor confidence in Germany as an office location is very high, which is also underscored by the fact that investment volumes increased from quarter to quarter in all markets in the second half of the year despite all the uncertainties. A total of around €24.6 billion was invested in this asset class in 2020. This corresponds to a market share of 41%, putting office investments ahead of retail (a good 20%) and logistics (around 13%). As expected, the record result from 2019 was missed (-36%), but the latest result is still 16% above the ten-year average and also above the good results from 2015-2017. Single deals dominated the market in 2020 with a share of just under 79%.

### BERLIN AND FRANKFURT LEAD THE WAY BY A WIDE MARGIN

Berlin was the the only market with an investment volume above the €5 billion mark, and thus secured again the pole position. Although the top result of the previous year was missed by almost 40%, it is still the second highest value ever recorded. As in Berlin, a veritable year-end rally in Frankfurt contributed to an overall good result of just under €4.7 billion. Hamburg came in a very good third place with a record volume of around €3.1 billion. This exceeded the previous year's result by 7% and the 10-year average by as much as 43%. The result in Munich was well below average at €2.7 billion (ten-year average: €3.6 billion).

### B-CITIES MORE AND MORE ATTRACTIVE

German A-cities remain the preferred investment target of investors with a market share of almost 80% (€15.6 billion), but B-cities held up very well in the Corona year 2020 with an investment volume of €2.7 billion. Their performance at the previous year's level underlines investors' confidence in these markets, which are seen as having very good development prospects even after the crisis has been overcome.

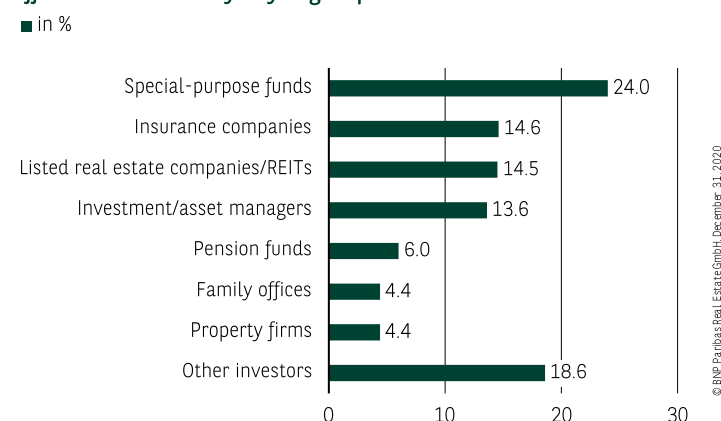
## Office investments by € category



## ➤ LARGE-VOLUME DEALS REMAIN MARKET-DOMINANT

Deals over €100 million clearly dominated the office investment market in 2020. After a brilliant start to the year with around 15 deals of this size in the first quarter, the market was abruptly slowed down. The Corona pandemic, the first lockdown and growing uncertainties caused investors to exercise even greater caution. Many large deals were temporarily placed on hold, especially in the second quarter. Eventually, the majority of these transactions were finalized in a very strong year-end rally. In the fourth quarter alone, more than 30 contracts of this size were moved across the finish line. With a market share of a good 14% (€3.5 billion), transactions between €50 million and €100 million maintained second place, but in no other size class was the decline in investment volume (-45%) so extensive.

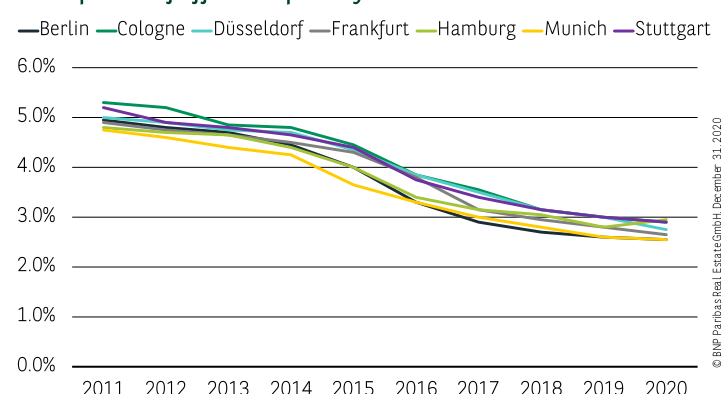
## Office investments by buyer group 2020



## ➤ SPECIAL-PURPOSE FUNDS MOST IMPORTANT PLAYERS

Special-purpose funds invested almost €6 billion in office properties during 2020 and were clearly the most important buyer group, with a market share of 24%. Already in the third quarter, prominent deals with the Medicus portfolio and the Société Generale campus in Hamburg were attributable to this buyer group. In the fourth quarter, special-purpose funds once more shifted a gear and completed more than 10 individual transactions above the €100 million mark. While listed real estate companies/REITs were able to match their prior-year result (2020: €3.6 billion), insurance companies more than doubled their placed volume (+159% to €3.6 billion). They were already remarkably active in the heavily crisis-ridden second and third quarter, especially in the large-volume segment, but also invested extensively in Q4.

## Development of office net prime yields



## ➤ PRIME YIELDS STABLE AT LOW LEVEL

Over the course of the year, prime yields in all A-locations decrease by between 5 and 15 basis points. With the exception of Hamburg, they have been stable since the end of September, ranging between 2.55% in Berlin and Munich and 2.95% in Cologne. In the wake of the record result, the prime yield in the Hanseatic city fell by 10 basis points to 2.65% in the fourth quarter and is now trading below that of Frankfurt (2.75%).

## ➤ OUTLOOK

Although the first half of 2021 will still present major challenges, demand for German office properties is likely to remain high, especially in the core segment, where yields continue to show a downward trend. Despite a possible slight increase in home office shares, investors expect a positive development in demand for office space in the long term, supported by a solid German economy.

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