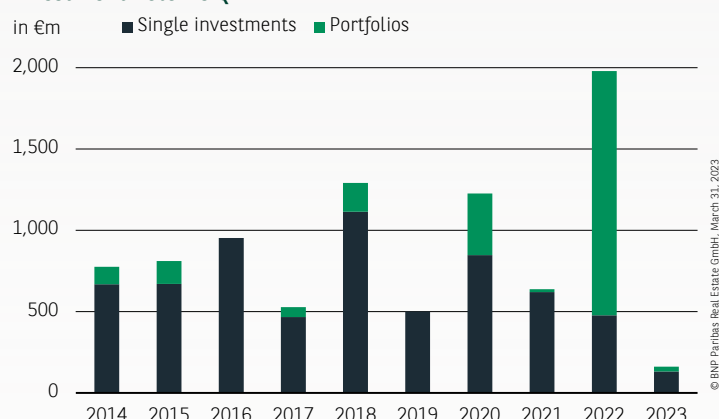




At a Glance **Q1 2023**

INVESTMENT MARKET HAMBURG

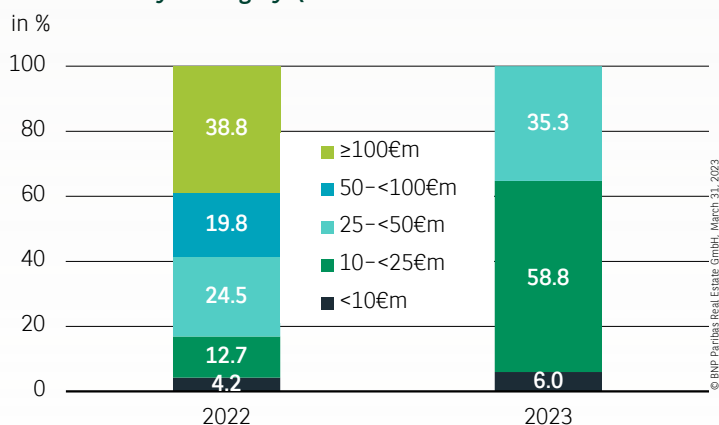
Investment volume Q1



➤ VERY SUBDUED START TO THE YEAR

Despite the continuing robust occupier markets in Hamburg, contrary to the nationwide trend, the rapid change on the financial markets was the main dampening factor for the commercial investment market in the Hanseatic city at the beginning of 2023. By the end of the first quarter, the registered transaction volume of €161 million was almost 82% below the long-term average and 92% below the record result of the previous year, even though this was largely driven by a high share of the portfolios. The current volume, however, is largely based on single deals. The only transaction that falls into the category of portfolio transactions is the stake increase of the German EuroShop in the "Phoenix-Center" located in Hamburg-Harburg. With a volume of around €29 million, this is also the largest deal of the year so far.

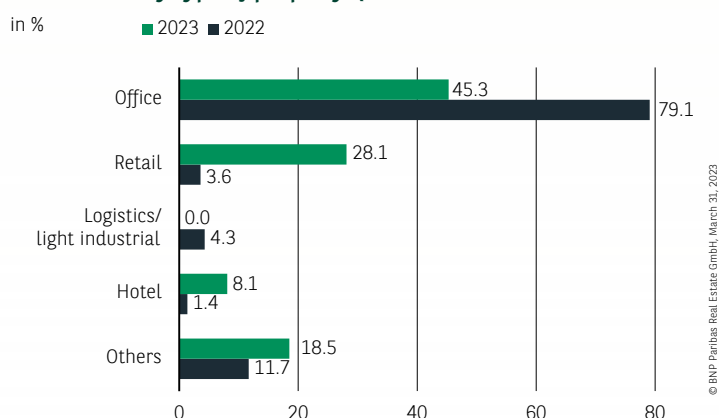
Investments by € category Q1



➤ NO LARGE TRANSACTIONS SO FAR

Considering the restrained transaction activity, the distribution by size category shows an unusual image. The majority of registered transactions are currently deals in the range of €10 to 25 million. With 59%, this also accounts for the largest share of the total investment volume. In second place are transactions in the range of €25 to 50 million, contributing 35%. Additionally, 6% is generated in the smallest segment below the €10 million mark. For the first time since 2011, no major deal above €50 million was registered after the first three months of the year.

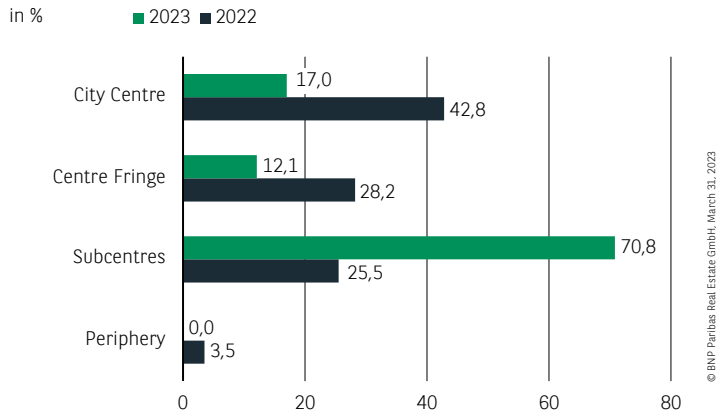
Investments by type of property Q1



➤ SIGNIFICANT DROP IN OFFICE TRANSACTIONS

Office properties clearly lead the distribution of the investment volume by property type, with 45%, as usual for the Hanseatic City of Hamburg. However, the absolute figures reveal that the asset class has recorded one of its weakest starts to the year ever, with only around €73 million. In recent years, Hamburg's office sector has frequently been marked by large core transactions. But this segment in particular is affected heavily by the change in financing conditions, which is clearly reflected in the investment volume. Retail properties, however, account for an untypically high share of 28% mainly due to the Phoenix-Center. In absolute terms, though, this figure also falls short of its long-term average by around 57%. Further shares are attributable to the hotel segment (8%) and the group category "Other" (18.5%).

Investments by location Q1



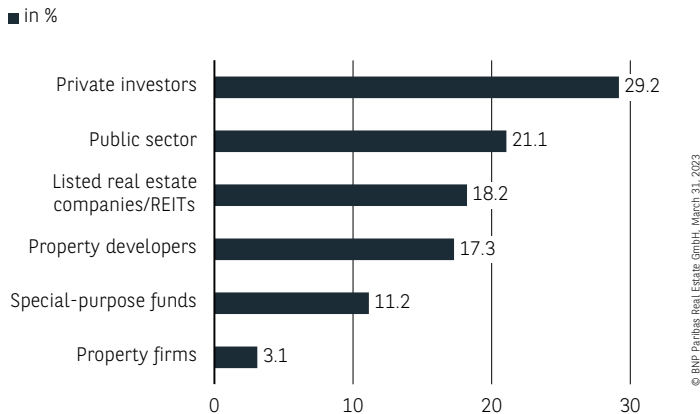
SUBCENTRES THE SPATIAL FOCUS

The absence of large core transactions in the office segment is to some extent also reflected in the distribution of the investment volume across the different locations. The city centre is usually predominant here but currently only accounts for around 17%. The long-term average is usually more than one third. The Centre Fringe is in a similar situation, achieving a share of 12%, which is also well below average. While no transactions have yet been recorded in the periphery, the Subcentres currently account for an overwhelming share of 71%.

PRIVATE INVESTORS AT THE TOP

Due to the changed circumstances, many of the usually dominant market players have temporarily adopted a wait-and-see attitude. Private investors on the other hand seem to find good opportunities at the moment. As a consequence, they lead the distribution of investment volume by buyer group for the first time in many years, with a share of 29%. In second place comes the public sector (21%), which also contributes a larger than average share. Real estate companies/REITs (18%), property developers (17%) and Special-purpose funds (11%) also make double-digit contributions. Property firms complete the breakdown with a share of 3%.

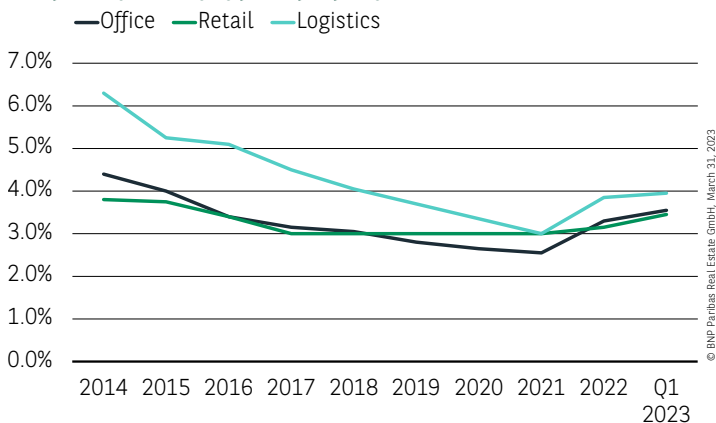
Investments by buyer group Q1 2023



PRIME YIELDS CONTINUE TO EXPAND IN THE FIRST QUARTER

As the major central banks have continued to hike interest rates in the first quarter of 2023, increased cost of financing remains the determining factor in the investment markets' price finding process. Consequently, a further increase in yields can also be observed in Hamburg. For office properties, the net prime yield is currently 3.55%, which corresponds to an increase of 25 basis points since the beginning of the year. While inner-city highstreet properties increased by 30 basis points to 3.45% in the same period, the logistics segment recorded a rather moderate increase (+10 bp; 3.95%).

Net prime yields by type of property



OUTLOOK

As further interest rate hikes by the central banks cannot be ruled out in the coming months, transaction activity is likely to remain restrained in the second quarter. A lasting recovery of the market and thus increasing transaction volumes can only be expected once the end of the hiking cycle becomes predictable for the market players. At the moment, we expect this to happen in the course of the second half of the year. The transaction volume at the end of the year will nevertheless remain well below the long-term average. Further slight increases in net prime yields can also be expected over the next few months.

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Further Information BNP Paribas Real Estate GmbH | Branch office Hamburg | Phone +49 (0)40-348 48-0 | www.realestate.bnpparibas.de