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GERMANY AT ITS BEST

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GERMANY AT ITS BEST
NORDRHEIN-WESTFALEN

Laura Henkel,
Editor of "Immobilienwirtschaft" and responsible online editor of www.haufe.de/immobilien

Still on the Sunny Side

Dear Readers,

not only on the Cote d'Azur will you usually find sunshine and roses, but on Germany's real estate markets as well. Business has never been as good. At the end of the year, nearly all market segments were reporting record numbers of transactions. In the investment market, sales of commercial properties shot up to €55.1 billion; according to JLL, they are above the previous peak level of €54,7 billion achieved in 2007 (pages 12-14).
One sought-after asset class is, for example, Geman logistics properties. Returns of five percent are current being achieved here. Compared to other types of use, which are currently yielding lower returns due to strong demand, they are the ideal conditions for investments (pages 34-35).
Hardly any development has marked the German real estate market as much as immigration. This provides the real estate industry in particular with considerable opportunities. In the medium term, owners of vacant office buildings in Germany's large cities stand to profit from the influx of refugees. And above all the real estate industry together with municipalities can make a contribution towards these challenges with the corresponding responsibility because, according to the German Association for Housing and Real Estate Companies, 800,000 housing units are needed across Germany (pages 20-22). And, although it is unclear how many of these people will remain permanently in Germany, one thing is clear: The German government and the real estate industry are facing daunting challenges.
By the end of the year we will see whether the superlatives witnessed in 2015 can be maintained this year or whether – as many experts predict – the peak in the transaction cycle has already been reached.
This in no way detracts from the good mood in this country, real estate is still a popular investment and investors still have their sights set on Germany – with a few question marks.

I wish you good investments!

Yours,

Laura Henkel

GERMANY – STILL A SAFE HAVEN IN 2016?
Business has never been as good as in 2015 – in nearly all real estate markets in Germany. Things have been heading upwards for six years now. Optimism still prevails for 2016.

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MIPIM 2016
What new impetus can be expected this year? We will certainly be hearing the word "start-up" more often and hear about investors' willingness to provide support on the way to market maturity.

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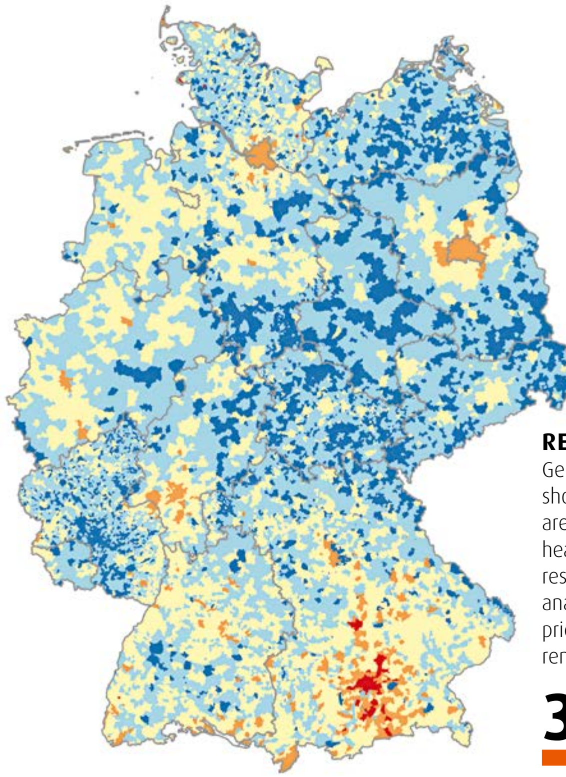

RESIDENTIAL PROPERTIES
Germany's current "fever map" shows which regions in the country are actually affected by an overheating of the housing market with respect to home ownership. It reflects analysis on whether home ownership prices are developing analogue to rents, population and more

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Dr. Barbara Hendricks MdB
Federal Minister for the Environment, Nature Conservation, Construction and Nuclear Safety

Remaining on an Upward Trend

Dear Readers of Immobilienwirtschaft,

demand for real estate in Germany remains on an upward trend, and the relevant economic conditions continue to be favourable. Good economic growth, high employment, low interest rates on construction and stable consumer prices all provide a secure framework for investment. In particular, urban areas are showing significant growth in their real estate markets. We estimate a yearly demand figure of at least 350,000 new housing units. Finally, the German government has begun a programme of measures that aim to make building plots available more quickly, to make greater use of building in series and to continue to improve the conditions for investment decisions. In this dynamic context, I would like to wish the visitors and exhibitors at the MIPIM all the best for this event.

Sincerely,

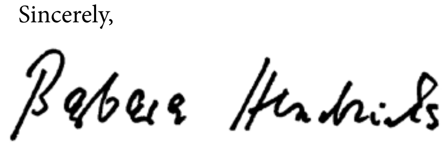
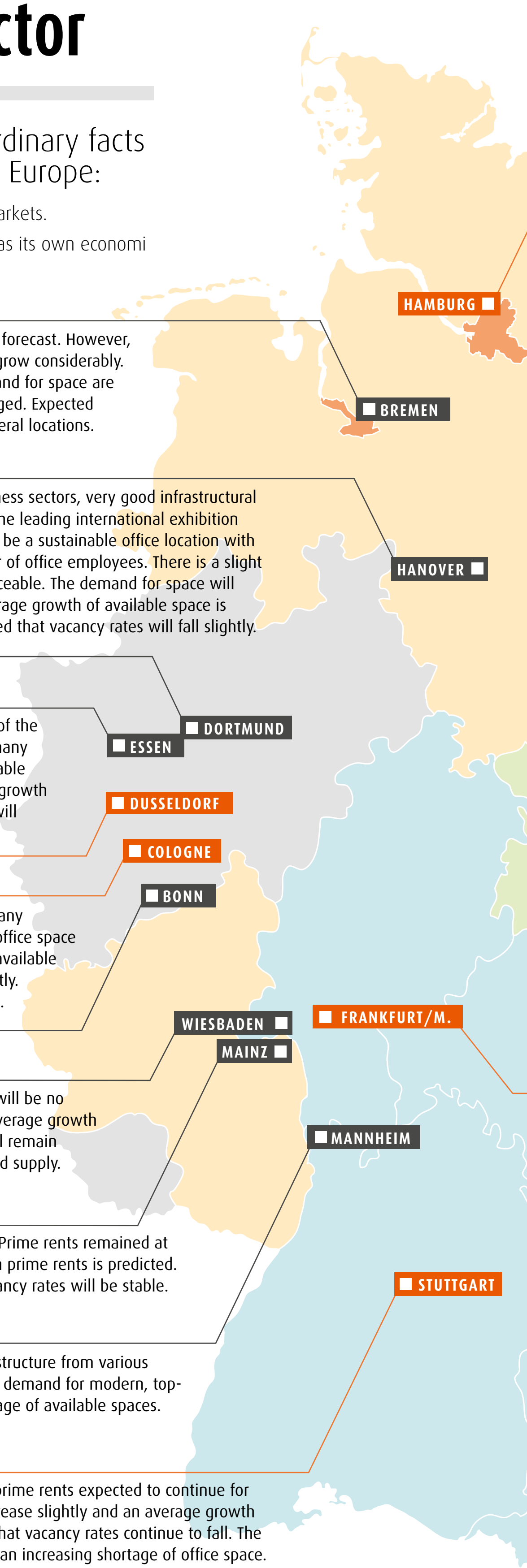


Photo: BMUB/Thomas Trutschel, photothek.net

Explaining Germany 2016 – Investment Opportunities in the Office Sector

Explaining Germany means presenting a multitude of extraordinary facts that are characteristic of the country, compared to the rest of Europe:

- There is neither a dominant investment center nor a strong cyclical movement in the German markets.
- Each city of the Big 7 – Berlin, Hamburg, Dusseldorf, Frankfurt, Cologne, Stuttgart and Munich – has its own economi structure, and this results in individual market profiles.
- For the next two years, office rents in CBDs will increase while vacancy rates will decline.
- Berlin as the German capital offers a huge demand for new office space, while the other markets in East Germany (the former GDR) try to find a way of how to deal with the stock of the early Nineties.
- The other 14 2nd tier cities, labeled as „B-Locations", and of course, the 54 3rd tier cities are no less important.
- Each of them shows interesting investment opportunities for the next quarters, nevertheless we recommend to keep an eye on the exit in a phase of decline and to look at the risk premium in the current situation.



Bremen

Stable market with positive forecast. However, available space is about to grow considerably. Vacancy rates and the demand for space are expected to remain unchanged. Expected growth in take-up in peripheral locations.

Hanover

With its wide range of business sectors, very good infrastructural connections and as one of the leading international exhibition cities, Hanover is proving to be a sustainable office location with a consistently rising number of office employees. There is a slight increase in prime rents noticeable. The demand for space will increase marginally. An average growth of available space is predicted and it is anticipated that vacancy rates will fall slightly.

Dortmund

Hardly any change in prime rents is expected. It is estimated that there will be no change in the demand for space, but an average growth of available space is anticipated. Vacancy rates will remain unchanged. Take-up matches long-term average.

Essen

As the economic centre of the Ruhr region, five of the 50 companies with the highest turnover in Germany have their HQ in Essen. Prime rents remained stable and hardly any change is expected. An average growth of available space is anticipated. Vacancy rates will remain unchanged.

Dusseldorf

Above-average performance of the city reflects a slight increase in prime rents. There will be no change in the demand for space. An average growth of available space is expected. It is anticipated that vacancy rates will fall slightly.

Cologne

Prime rents remained at the same level, hardly any change in prime rents is expected. Demand for office space will increase slightly and an average growth of available space is predicted. Vacancy rates might fall slightly. There is a lack of premium properties in Cologne.

Bonn

Prime rents still at the same level, no big changes expected for the next months. Demand for space and vacancy rates remain unchanged, only a slight increase in available space is expected because of the growing take-up in the office letting market.

Wiesbaden

Prime rents rose, but remain stable now. There will be no change in the demand for space, however, an average growth of available space is expected. Vacancy rates will remain unchanged. High demand in contrast with limited supply.

Mainz

Relatively small and mainly local office market. Prime rents remained at the same level, nevertheless, a slight increase in prime rents is predicted. Little growth in available space is expected, vacancy rates will be stable.

Mannheim

Mannheim is characterised by a broad demand structure from various sectors. It shows a slight rise in prime rents. The demand for modern, top-quality office spaces is high, but there is a shortage of available spaces.

Stuttgart

Economically a strong region. Small increase in prime rents expected to continue for the next months. The demand for space will increase slightly and an average growth of available space is predicted. It is anticipated that vacancy rates continue to fall. The volume of lettings remains high, which leads to an increasing shortage of office space.

City type
- Big 7
- Regional Centers

GDP per capita per federal state
- Well above average
- Above average
- Average
- Below average
- Well below average

German average GDP per capita: 37,853 EUR

Source: Statista 2016

Hamburg

Prime rents remained at the same level. An average growth of available space is predicted. Office vacancy fell again and it is expected that vacancy rates will remain unchanged. The letting performance of around 110,000 sqm in the third quarter was below the level of previous quarters. Total space take-up in the first nine months of around 365,000 sqm.

Rostock

Rostock, as an important hanseatic city and port on the Baltic Sea, is known as a business centre with high quality of life. Prime rents and vacancy rates remain unchanged.

Magdeburg

A city with steady economic growth and productivity. There are no noticeable changes in prime rents. The demand for space will increase, and there is an average growth of available space to be expected. The vacancy rates will plummet.

Berlin

Positive and expansive market development causes a slight rise in prime rents, which will continue. An average growth of available space is expected, as well as a decrease in vacancy rates, because of the unbeatable demand for renting spaces. Increasing takeup volume: Berlin achieved an all-time high of almost 880.000 sqm.

Leipzig

Prime rents are stable, but will rise in the near future. A small increase in available space is expected and vacancy rates will fall slightly. Leipzig is Germany's fastest growing city with a major business centre, which is becoming increasingly attractive as a place to work and live.

Dresden

Prime rents remained at the same level and no change is expected. The same applies to the demand for space. Just a slight increase in available space is expected. Vacancy rates will decrease. Strong demographic growth of the city.

Erfurt

Rated as one of the most dynamic cities, prime rents have risen during the last months. No particular change is expected for the coming months including no particular change in the demand for space. The available space will increase slightly, vacancy rates might fall.

Frankfurt

Slight rise in prime rents, which is also expected for the next months. Demand for space will increase. Only gentle increase in available space is expected, vacancy rates will fall. Below-average take-up in CBD, as few large-scale deals were completed. Strong international investor presence, due to the attractiveness and good location of Frankfurt (airport).

Nuremberg

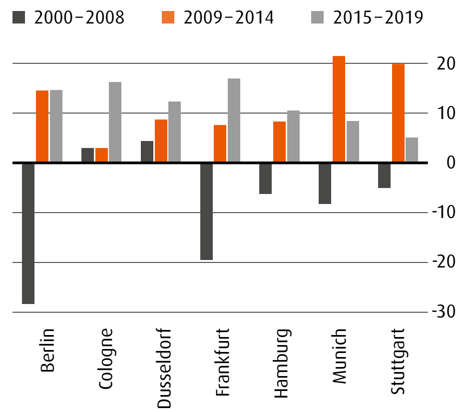
The economy is doing very well despite many setbacks in the past. Increase in prime rents occurred. Prime rents will remain stable, as well as the vacancy rates. Only a slight growth in available space is expected. Nuremberg has developed from an industrial to a high-tech location, but it has a lack of attractive spaces.

Munich

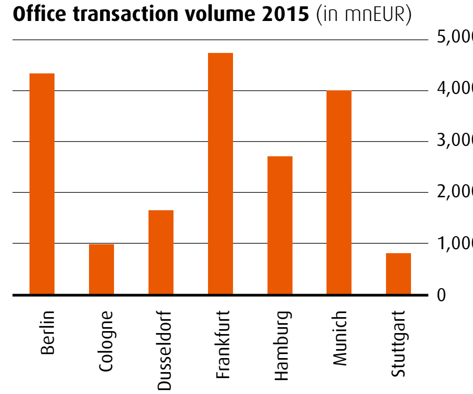
The office take-up volume declined, but a slight increase in prime rents is expected. The demand for space will rise minimally. Moreover, an average growth of available space is expected, vacancy rates will fall. Munich shows double-digit growth rates in the office sector. Limited supply suggests a further rise in prime rents for top locations.

CATELLA

BIG 7:
Growth Rate of prime office rents (in %)

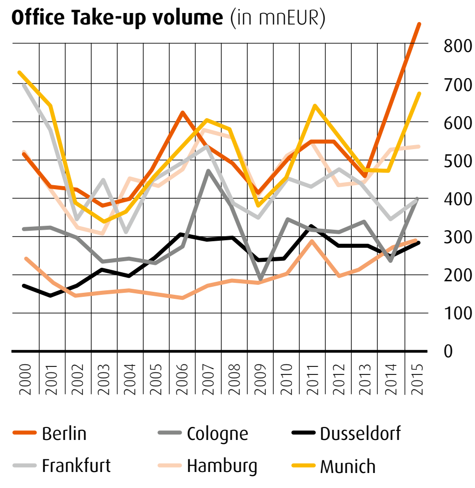


BIG 7:
Office transaction volume 2015 (in mnEUR)



Source: Catella Research, RCA

BIG 7:
Office Take-up volume (in mnEUR)



Source: Catella Research 2016; As of February 2016

Berlin: a further increase is expected in peak rents

42

percent increase over the previous year means, that for the second year in a row, the office rental market in Berlin with an annual turnover of around 854,000 square meters has pushed past Munich (720,000 square meters).

Office Space turnover in 13 Prime Locations at a New High

Office space turnover in the 13 German office markets Berlin, Dresden, Düsseldorf, Essen, Frankfurt am Main, Hamburg, Cologne, Leipzig, Magdeburg, Munich, Nuremberg, Rostock and Stuttgart amounted to 3.98 million square meters in 2015. This was reflected in an analysis by DIP – Deutsche Immobilien-Partner. It is the highest level-of-floor-space turnover.

In the seven largest office markets (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart), office space turnover rose by around 22 percent compared to the previous year with 3.56 million square meters, accounting for a 89 percent share of total DIP office space turnover. The largest increases in turnover was registered in Düsseldorf (49 percent increase) and Berlin (42 percent increase).

BERLIN IS OVERTAKING MUNICH In the past, Munich was the top-selling office market in Germany. For the second year in a row, the office rental market in Berlin with an annual turnover of around 854,000 square meters (42 percent increase over the previous year) has pushed past Munich (720,000 square meters, 24 percent increase). Hamburg was in third place with 540,000 square meters and an increase of three percent. Düsseldorf recorded sales growth of 49 percent to 471,000 square meters, which was the highest turnover of space since the record year of 2007. Lower fluctuations in turnover were analyzed in Frankfurt (389,000 square meters; seven percent increase), Cologne (295,000 square meters; 16 percent increase) and Stuttgart (290,000 square meters; six percent increase).

FORECASTS AND TRENDS IN 2016 For the current year 2016, DIP forecasts a slight decline compared to the previous year for the 13 office markets analyzed from 3.6 to 3.8 million square meters in office space turnover.
Since the available demand-driven supply of office space is shrinking especially in prime locations (declining vacancy rates) and, according to the DIP analyses, there are no signs of a significant increase in completions in 2016; overall a further increase is expected in peak rents.

Photos: Matthias Friedel; Rhein-Neckar; Heiko Kueverling/shutterstock.com

Rhine-Neckar Region increasingly popular

According to the NAI Apollo Group, B-locations like the Rhine-Neckar Region are becoming increasingly popular with investors in commercial real estate. A gross return of at least 6.5% is being achieved in cities like Mannheim or Heidelberg. A-cities cannot match this rate. The regional real estate market is marked by high (price) stability, transparency and various opportunities for development. Especially large reconversion sites in Germany offer space for new developments. Close networking and regional strategic concepts ensure investors good service and quick decision-making. Rhine-Neckar is an attractive option with interesting perspectives for investors and project developers.

Hamburg is planning a "Green Axis"

Hamburg is planning parks and paths in the eastern part of the city by the end of 2019 as compensation measure for the construction of 20,000 housing units. This was announced by the environmental senator Jens Kerstan (Greens). Total costs will amount to just under five million euros. The federal government is contributing 3.3 million euros from the federal program "National Urban Development Projects".
The green landscaping axis will be called "Horner Geest" and will run from downtown through the districts of St. Georg, Borgfelde, Hamm, Horn and Billstedt leading to the Öjendorfer Park. In addition to recreational areas, continuous sidewalks and bicycle paths are also planned. Citizens will be involved in the planning. The axis of green spaces will serve as a compensation for the 20,000 housing units that will be built in the coming years in the eastern part of the city.

FRANKFURT

Housing Prices Rose Again by Eleven Percent

The square meter price for a condominium in Frankfurt has risen in the last ten years from 2,050 euros (2006) to 3,700 euros (2015), as shown by an investigation of the Expert Committee for Property Values. A newly built condominium cost around 4,390 euros a sqm in 2015. That was eleven percent more than in 2014.
Last year terraced houses in Frankfurt cost on average 366,000 euros. Average prices for single-family homes (654,000 euros) and duplexes (542,000 euros) were twice as high as in South Hesse and four times as high as in the north of state.

HIGH-RISE APARTMENTS PARTICULARLY POPULAR Both very old and very new apartments are popular, as are locations close to downtown and in high-rise buildings, according to the study. The higher the building, the higher the price. On average, the cost of an apartment on the ten lower floors is around 4,500 euros, which corresponds to roughly the average of all newly constructed condominiums.
Most of the apartments sold in 2015 roughly corresponded to the average prices, says the Head of the Planning Department, Olaf Cunitz (Greens). Hence, only eleven luxury apartments (starting at 10,000 euros per square meter) were sold. 117 high-priced apartments (starting at 7,000 euros) were also sold. Yet, they only accounted for three percent of sales.
A total of around 7,800 houses, apartments, offices and commercial properties changed hands last year. Sales of 6.3 billion euros were the second highest after 2007 (7.8 billion euros), said Cunitz. One record was reached in 2015 with the sale of residential properties (2.8 billion euros).
Last year's top price was achieved in Westend with 16,000 euros per square meter. The most expensive apartment is located in the Europaviertel. It changed hands for four million euros and, at the same time, was the largest sold with 364 square meters. The most expensive home sold for six million and is located in the diplomat quarter of the Bockenheim district.

Germany – Still a Safe Haven in 2016?

The industry is cheering. Business has never been as good as in 2015 – in nearly all real estate markets in Germany. Things have been heading upwards for six years now. Optimism still prevails for 2016 as well.

Looking back could hardly be more pleasant for the real estate industry: 2015 was a year of superlatives. Sales in the real estate development market for commercial properties shot up to €55.1 billion, according to JLL, slightly above the previous historical peak level of €54.7 billion reached in 2007. At the time, however, this euphoria was soon followed by an abrupt crash.

"Right now everything is sunshine and roses," says Fabian Klein, Head of Investment Germany at brokerage house CBRE. The transaction volume would have been even higher. "If there had been enough supply, the market would have been able to pass the 100 billion mark," Klein stresses. Are markets about to overheat? "No," says Dr. Frank Pörschke, CEO Germany of brokerage house JLL. Conditions are in no way comparable to 2007. Yet there are some similarities. Then, like now, foreign real estate buyers drove sales up. "This trend could also increase this year," Klein predicts. Despite in some cases substantially higher prices, the German commercial and residential real estate markets remain attractive especially to Anglo-Saxon investors, also because of the weak euro.

SIMILAR GOOD RESULTS EXPECTED IN 2016

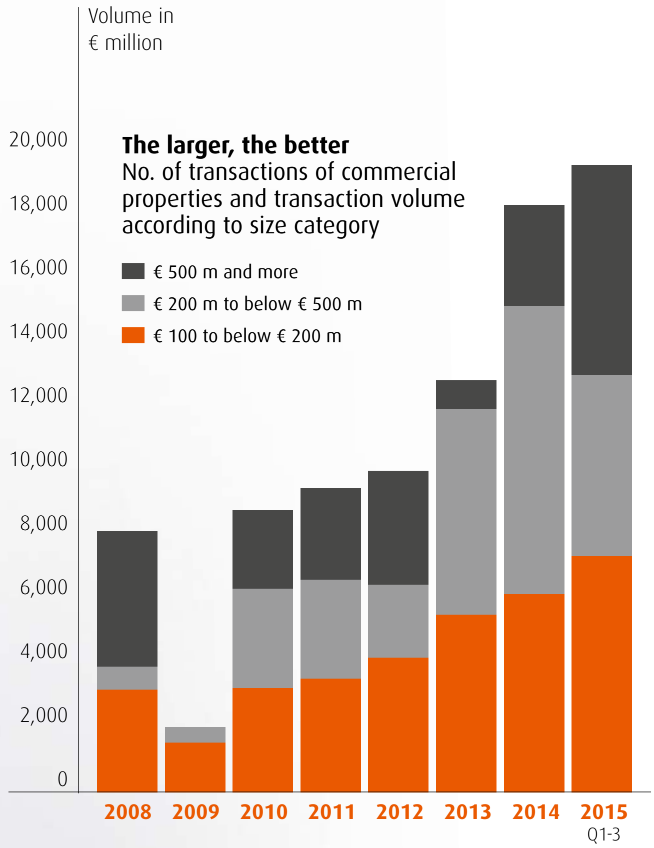
Pörschke expects the transaction volume in 2016 with around €50 billion to almost reach the level of 2015. "First in 2017, it could be substantially less if the European Central Bank, like the US Federal Reserve, increases interest rates and scales back its expansionary monetary policy," he said. Germany is one of the attractive countries for real estate investment as it is seen as an anchor of stability in Europe due to its economic strength.

"The real estate cycle in this country is relatively far advanced, which is why anticyclical, opportunistic investors have turned their backs on Germany," stated Matthias Pink, Head of Research Investment Germany of the brokerage house Savills. This is more than compensated by the fact that risk-averse investors, such as pension funds from the US and Canada, insurance companies as well as Asian sovereign wealth funds, are increasingly focusing on Germany.

One extremely popular asset class among foreign investors is logistics properties. "This is mainly because rather attractive returns can still be achieved here," explains Kai Oulds, Head of Logistic Investments at CBRE Germany. Currently, a return of more than five percent is possible. That sounds modest compared to the seven percent that could be achieved with this type of property one and a half to two years ago.

A THREE IN FRONT OF THE DECIMAL POINT

"Compared with office or retail properties, however, that is quite acceptable," Oulds finds. There returns are at best in the area



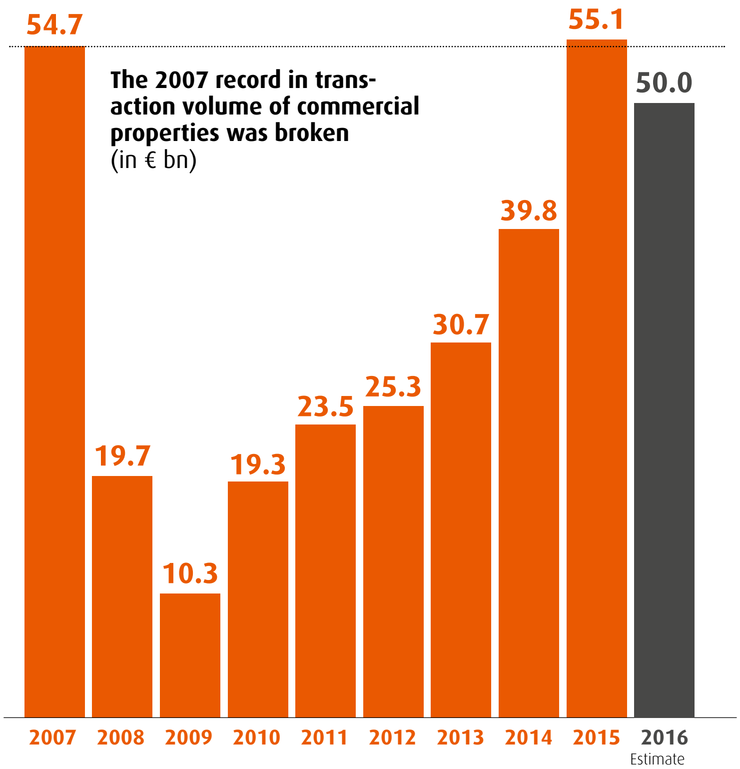
of four percent. For office buildings in Munich, there might also be a three in front of the decimal point, the expert points out. Both of the major growth drivers in this segment are online retail as well as optimization of the supply chains in the industry. In 2015, the transaction volume in logistics properties reached the record level of over €3 billion. "But it is becoming increasingly difficult to find new locations," admits Karsten Jungk from the real estate consultant Wüest & Partner. The space for new properties is growing scarce both in the cities as well as outside. "Increasingly, cities and towns are less willing to approve new logistics centers," Jungk continues. They are considered a burden since they rarely create jobs and heavy load vehicle traffic is increasingly seen as a nuisance.

Hotels could be the segment with the strongest momentum in the years ahead as well. "It is currently undergoing a profound structural change," says Olivia Kaussen, Head of Hotels at CBRE Germany. "Sales have hardly dropped even during the financial market crisis," adds Wolfgang Schneider, Head of Research at BNP Real Estate. In Europe, the UK accounted for 50 percent of the hotel investment market, Germany 20 percent. However, the process of catching up is underway – at the forefront: Berlin.

TWICE AS MANY HOTEL STAYS In the last ten years, according to Kaussen, hotel stays in the capital have doubled to 28 million per year: 6,000 new rooms are in the pipeline. In particular, highly profitable systems or budget hotel providers, such as Motel One, Holiday Inn Express, Hampton by Hilton and Moxy, are expanding strongly as their concepts are resonating well with customers, especially in the strongly booming city break segment.

"Given that the transaction volume in 2015 rose by nearly 50 percent to €4.4 billion, only sales in the investment market for retail properties managed to grow more strongly," according to Kaussen. Opportunistic Anglo-Saxon investors, »

Photo: Dzmitry Kliapitski/shutterstock.com



such as Blackstone and Brookfield Property Partners, as well as investment companies, such as Deka Immobilien and Union Investment, are particularly fond of hotels. The return on hotels is attractive at currently around five percent, which is barely less than for logistics properties. Union Investment manages numerous specialized real estate funds for institutional investors, as well as public property funds. While the investments of mutual funds are broadly diversified, investments of special funds often focus on an extremely narrow segment of the commercial property spectrum. The trend here is towards hotel funds, into which insurance companies and pension funds are glad to put their capital.

HARDLY ANY ALARMING OUTLIERS "Purchase prices rise when tenants and users are lining up for properties," says Karsten Jungk of real estate consultants Wüest & Partner. According to Jungk, he still does not consider the situation to be alarming, although logistics properties, for example, have risen within three years' time by the equivalent of three to four years' annual rent. In some cases, the equivalent of more than 18 times the annual rent is charged for the purchase price.

"In Munich, prime locations like Kaufinger Straße can also bring more than 30 times the annual rent," Jungk states. In all property classes, purchase prices rose more strongly than rents. So far, alarming outliers have been the exception–for example an office building in Frankfurt in a prime location that private investors allegedly recently purchased for 60 times the annual rent – with meager returns: 1.7 percent.

In 2015, the retail property segment was certainly the star, at least in terms of the increase in transaction volumes. According to CBRE, this doubled to over €18 billion compared to 2014. "It certainly won't continue to rise at this rate as demand is indeed still high, but there are not enough properties," says Jan Dirk Poppinga, Head of Retail at CBRE Germany, explaining the situation.

GOOD PROPERTIES ARE SCARCE "Moreover, the interaction of different retail concepts should be examined for their potential for success and future sustainability," adds Jan Dirk Poppinga, Head of Retail at CBRE Germany. Shopping centers, in particular, with up to 75, 100 or even more tenants have completely different dimensions than pure office properties. That scares off many potential buyers who lack the necessary know-how for such investments. Especially Asian real estate buyers are making use of such an option when they are seeking to purchase retail properties or hotels.

"Properties in attractive downtown locations in major German cities are very scarce for retail properties as well," says Thorsten Lange, Head of Research at DZ Bank. Major fashion chains, such as Zara, Primark, H&M and sought-after brands like Apple, want to be present in the pedestrian zones of Munich, Frankfurt or Hamburg with retail space.

Store rents rose significantly. "€300 per square meter and more are demanded for the prime locations, ten years ago this figure was a maximum of €200, except in Munich," according to Lange. The high propensity to consume will also ensure good sales in 2016 and support rent levels. Substantial rent increases should, however, be difficult to carry out. Outside the prime locations, however, the situation does not look as good, even in the Big 7. "Now more than ever, the location of retail properties is the factor for success especially because of the competition with online retail," says Savills real estate market expert, Pink.

The run on good locations is already leading to an increased compromise in property quality, above all in office and retail properties. "But what other choice do smaller institutional investors, such as pension funds, pension schemes and many foundations, have?" Jungk admits. After all, yields from safer government bonds remain at an unacceptable level and a reliable, predictable earnings flow cannot be achieved with stocks. «

Norbert Jumpertz, Staig

A Controlled Offense (Still) Reigns Supreme

Real estate banks are well aware that the current phase of low interest rates will not last forever. But in spite of these reservations, most of these banks expanded their financing activities in 2015 – and in part substantially. This is not likely to change in 2016.

New business (excluding renewals) is expected to increase more than in the past fiscal year

Lenders also profit from the boom on the real estate market in Germany. According to a forecast of brokerage house JLL, the volume of new business of the ten largest real estate banks in 2015 amounted to almost 50 billion euros. HypoVereinsbank (HVB) and Deutsche Pfandbriefbank (pbb) were among the most active real estate financers: New business (excluding renewals) of pbb is expected to have increased to more than seven billion euros in the past fiscal year, for HVB to more than six billions euros.

RESULTS AT RECORD LEVELS Both are coming closer to industry leader Landesbank Hessen-Thüringen (Helaba), whose commercial real estate financing business grew at a considerably slower rate. Nevertheless, Helaba performed well in this difficult business environment: The result of the real estate lending business is expected to nearly reach the level of 2014 (350 million euros), with new business (excluding renewals) amounting to approximately 8.2 billion euros (increase compared to 2014: 2.5 percent). "In the current business environment it is particularly important that a real estate bank knows how to put its unique strengths to use," said Helaba board member Jürgen Fenk.

HIGH-VOLUME FINANCING SEGMENT The member of Helaba's board of directors sees his company ideally positioned in the high-volume financing segment of several hundred million euros, whose structuring is sometimes quite challenging. Many of the currently active foreign investors prefer loans with variable interest rates as opposed to the usual fixed rates preferred in this country. »

"Due to the low level of interest rates , in the Big-5 locations it is hard to plan for an adequate risk buffer for financing for the time of an interest rate reversal."

Jan Peter Annecke, Münchener Hyp

"The high level of transactions in commercial real estate and the strong increase in activities in new construction and restructuring have noticeably boosted the financing business."

Maria-Theresa Dreo,
Divisional Manager HVB

pbb is also more focused on large, but cross-border commercial real estate financing. The margin has shrunk greatly in standard financing for office and retail real estate in prime areas of the Big-5 locations, says Bernard Scholz, Member of the Board of pbb. According to the JLL industry expert Markus Kreuter, this is far below 100, sometimes even 60 basis points. There is also currently little money to be made with the financing of commercial residential real estate, said Scholz. pbb was able to significantly expand its new business (excluding renewals) in 2015 – in the first nine months it grew by more than 30 percent to nearly six billion euros.

"The high transaction volume in German commercial real estate – with more than 55 billion euros – and the strong increase in new construction activities and restructuring of properties have noticeably boosted the financing business," according to Maria-Teresa Dreo, Divisional Manager of Real Estate Germany of HVB. Of HVB's new business, which shot up by 70 percent in the first nine months to 4.2 billion euros, short-term bridging loans accounted for about one billion euros. After all, HVB is a full-service bank with investment banking included in its business field. For this reason, it was involved in the major takeover deals in the real estate industry – such as buying Gagfah by Vonovia (formerly Deutsche Annington) – acting as the money lender and the issuing house.

THE MAIN RISK LEVERS The new business (excluding renewals) of Münchner Hyp, one of the cooperative banks, has grown to just over five billion euros (increase compared to 2014: 15 percent) (share of commercial real estate financing: 800 million euros), DG Hyp is around 5.7 billion euros (increase compared to 2014: 16 percent). Although the risk parameters were not reduced, the new business turned out well, according to Axel Jordan, Divisional Manager of Commercial Real Estate Financing of DG Hyp.

The main risk levers for financing are, in his opinion, the loan to value ratio and market value ratio as well as guaranteed capacity to cover principal payments. DG Hyp finances up to 75 percent of the market value, but a maximum of 100 percent of the lending value. In order for the sustainable capacity to cover principal payments, he considers a property yield – rental income minus operating costs – of at least seven percent to be necessary. "In five or ten years, when follow-up financing is needed and the interest rate will probably by much higher than it is today, it can otherwise be problematic without an adequate risk buffer," Jordan points out. Jan Peter Annecke, Head of Commercial Real Estate Financing, views it similarly: "Interest rates are at virtually historically low levels, which is a tricky situation." Even a moderate increase in interest rates means a 50 percent higher interest burden for borrowers. "In the Big-5 locations, due to the sharp drop in yields it is currently difficult to plan for an, in our view, adequate risk cushion, for the period of a reversal in interest rates," according to Annecke. Anglo-Saxon investors, in particular, like to make full use of the financing potential.

SHIFT ONTO THE REGIONS For this reason, DG Hyp and Münchener Hyp in Germany shifted the focus of their real estate lending business more onto the regions, to A locations in B and C cities. Moreover, Münchener Hyp–due to the attractive level of the margins–increased the level of credit activities abroad. Deutsche Hypo is trying to ease pressure on margins through involvement in project development and refurbishment. "The main point is that financing is carried out on a solid basis–as regards margin and risk," said Spokesman of the Board Andreas Pohl. In 2015, the level of new business should have been approximately around the level of 2014 (3.6 billion euros).

Due to low interest rates and a weak euro, real estate banks expect the boom in German real estate to continue. However, the impending reversal in interest rates – perhaps in 2017 – is causing increasing unease. Jordan allays people's fears: "Nervousness is misplaced; a strong increase in interest rates is unlikely alone because of the high level of government debt." «

Norbert Jumpertz, Staig

Office Space for Refugee Housing

Hardly any development has currently marked the German real estate market as much as immigration. Around one million refugees came to Germany last year. This major challenge for society also provides the real estate industry, in particular, with considerable opportunities.

The parameters for the real estate industry are changing. Just a few years ago the vacancy rate was one of its major challenges. Today people are being housed in properties never intended for residential use: in gyms and hangars, in former warehouses and vacant office buildings.

The main reason for this reversal is the influx of refugees to Europe, which has impacted Germany to a particularly large extent. In 2015, around one million people seeking protection came to the Federal Republic. And although it is unclear whether this figure will be reached again this year, and even if no one can say with certainty how many of these people will remain permanently in Germany, one thing is certain: The German government and the German real estate industry are facing massive challenges.

The situation is particularly tense in large cities such as Hamburg, Munich and Berlin, where living space was scarce to begin with. Hamburg has therefore established a program to build several thousand homes for refugees by the end of the year. "We want to provide good accommodations and fast integration for the refugees who are likely to reside permanently," explains Dr. Dorothee Stapelfeldt, Senator for Urban Development and Housing. The capital Berlin will also be building refugee shelters for thousands of people in the coming months. It will be using modular construction, which will make it possible to provide housing quickly and cheaply.

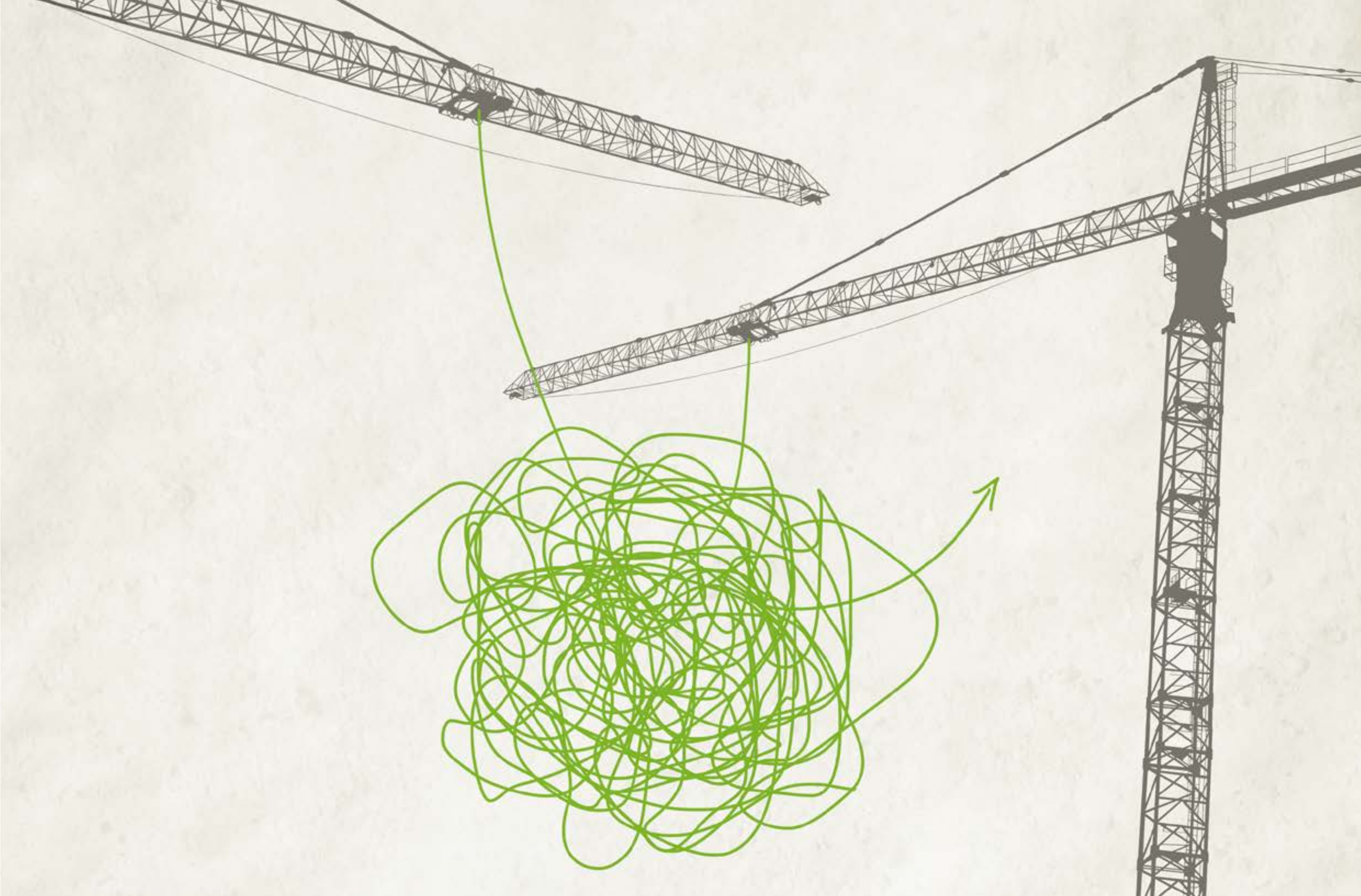
The real estate industry is also reacting to the demand for inexpensive, quickly-built housing. DSK/Big-Bau-Unternehmensgruppe offers a living module at a price of just under 900 euros per square meter, which is less than half of the usual construction costs in Germany. Moreover, under the name of "The Peoples Project," real estate developer Markus Gildner is building terraced houses in the Franconian town of Eckental, which will initially be rented out as refugee shelters and then put on the regular housing market after the wave of refugees has abated.

Refugee Solution I – a type of terraced house such as from Strenger AG, construction time four months.

IT IS CLEAR THAT THE MASSIVE IMMIGRATION has thrown all of the housing projections out the window that had been valid until recently. Axel Gedaschko, President of the commercial housing umbrella association GdW, is already talking of a "crisis in housing supply that will worsen in the months ahead in light of increasing immigration rates." According to GdW information, right now there is a shortage of 800,000 housing units throughout Germany. For this reason, Gedaschko and other leading representatives of the real estate industry are calling for the government to take charge in building housing and are speaking out in favor of easing governmental regulations. The Bundestag already changed some points of the construction planning law in 2014, according to which refugee shelters may now be built in commercial areas where the construction of residential space is normally not permitted.

It is unclear, however, precisely how many additional housing units are needed. The Institute for Economic Research (Institut der deutschen Wirtschaft/IW) in Cologne calculates that 430,000 housing units must be built across Germany every year until 2020, significantly more than the approximately 300,000 units that »

Photos: Strenger Gruppe, Aengevelt



430,000

Housing units must be built across Germany every year until 2020, according to the Institut der deutschen Wirtschaft (Institute for Economic Research).

had recently been considered sufficient. Here the IW Cologne assumes that the population in Germany will grow from currently just under 82 million to 85 million by 2020.

Landlords are happy about this trend, particularly those struggling to find tenants as a result of the declining number of households in recent years. “For many German communities, the current wave of refugees may prove to be a godsend for the real estate markets,” the EBS Real Estate Management Institute Wiesbaden writes in a study. Dr. Reiner Braun and Prof. Dr. Harald Simons of Berlin research institute empirica are also convinced that a nationwide housing shortage is out of the question. They point out that 1.7 million housing units in Germany were vacant in 2011. However, these are mostly in structurally weaker regions and not in large cities, which are drawing the majority of the asylum seekers.

Therefore, empirica experts recommend resettling refugee families specifically in small towns. “The chances of finding a job are usually better particularly in rural areas experiencing outward migration than in growing metropolitan areas,” Simons und Braun argue. In addition, integration is easier in smaller towns than it is in large cities.

LARGE PARTS OF THE GOVERNMENT take a similar view: At the time of printing of this issue, a proposal towards this aim was still on the table to assign the place of residence for newly arrived refugees as well as for recognized asylum seekers. However, jobs must also be available in these regions, points out Dr. Andreas Mattner, President of the German Property Federation (Zentraler Immobilien Ausschuss/ZIA), which represents the interests of numerous real estate companies and associations. For this reason, the ZIA has, therefore, commissioned a study to determine which regions in Germany have job vacancies combined with high vacancy rates and an intact infrastructure.

The wave of refugees is also having a positive impact on the owners of non-residential buildings difficult to rent. Dr. Frank Pörschke, German head of real estate service provider Jones Lang LaSalle (JLL) speaks of “chances” resulting from the fact that “opportunities are arising for the use of properties until recently considered unrentable,” for example, for poorly performing hotels and empty warehouses.

This demand is reviving the office market, in particular. Specifically, numerous vacant office buildings can be converted to shelters at relatively little cost. According to information of JLL, in just the last few weeks of 2015 210,000 square meters of office space in the seven largest cities has been either leased or purchased by the public sector for this purpose. Overall, JLL researcher Helge Scheunemann considers roughly 800,000 square meters of office space in the Top-7 cities to be suitable for such a purpose. If this potential were to be completely utilized, office vacancy would immediately drop 6.9 to 6.1 percent.

In any case, the real estate industry must also live up to its moral and social obligations. “In the refugee debate, the real estate sector is often accused of making money from the plight of those in need,” said Steffen Uttich, former real estate editor of the Frankfurter Allgemeinen Zeitung and now fund manager at real estate company Beos. Uttich is convinced that it is necessary to change the public image here: Precisely the real estate industry “together with local authorities can make a significant contribution to meet these challenges.” «

Christian Hunziker, Berlin

Refugee Solution II – Commercial properties such as in Haan, Duesselberger Straße.

Decisions with a Long-term Impact – MIPIM Awards 2016

The forty-four finalists in eleven categories of the MIPIM Awards 2016 cover a wide range as virtually all of the projects are outstanding in many respects. And the aspect of sustainability is present everywhere.

By replacing 16 old data centers, the data center DigiPlex Fet in Oslo ("Innovative Green Buildings" category) is ensuring zero CO_2 emissions, but the JW Marriott Venice Hotel ("Hotel and Tourism") or the soap bottling factory Method South Side Soapbox in Chicago ("Logistics and Industry") also promise CO_2 neutrality. Not only "Refurbished Buildings" address the issue of tradition like the conversion to offices of the monastic Paris hospital Laennec by Allianz Real Estate or "Urban Renewal Projects" like the Groen Kwartier in Antwerp, where 400 housing units as the PPP Project are being built from existing and new buildings. Also Les Docks Village in Marseille ("Shopping Centers") or Katscha in the historical industrial district of Norrköping ("Residential Properties") are living from the history. Overall social aspects are at the top of the agenda in 2016. A lot of social housing, short walks in open quarters, mixed uses with open spaces, which have been created by building over transport hubs like Crossrail in London and Shimokitazawa Project in Tokyo ("Urban Renovation Projects"). Social responsibility is combined with profitability in the hotel Musholm in Denmark ("Hotel and Tourism") for people with disabilities or the Queen Elizabeth Children's Hospital in Glasgow ("Health Properties"). #Cloud in Paris or the headquarters of Holcom in Beirut (both "Office Complexes") are responding to the new, networked, humane world of office work. As opposed to previous years, prestige projects are in the minority, such as the Evolution Tower in Moscow, according to its description the most expensive in the country, or Grand Istanbul to become the world's largest airport.

SINCE THE INITIAL CALL FOR SUBMISSIONS in 1991, project developers, owners and planners with more than 2,400 real estate projects have applied for the MIPIM Award, of which to date 155 buildings in 88 countries were shortlisted for the award by the respective jury and then presented to the fair visitors for voting. Through the years the categories have repeatedly been expanded and changed according to current issues in architecture and the real estate industry. This year Martin J. Brühl President of Union Investment Real Estate represented sector association RICS in the jury. He greatly appreciates the importance of the awards especially since they put the focus on environmental aspects. "The impact of the MIPIM Awards as an internationally-renowned real estate competition continues to grow. For RICS, the focus on sustainability considerations within the projects is vital. We are playing a leading role in reducing the environmental impact of the built environment, and I'm pleased to also see it as a focus for MIPIM. The awards have become a benchmark for what good real estate projects look like today and into the future, so I am honoured to be a judge."

This assessment is shared by the long-standing member of the jury, Paolo Gencarelli, CEO of Unicredit Real Estate. The winners benefit from the strong "MIPIM" brand, which was not only reflected in the 55 percent increase in applications for the 2016 Award compared to the previous year, and they are competing in a high-level competition, even though not all have had success on the market.

"It is difficult to measure objectively the success of the previous winners and probably there is not just one story to tell: some were outstanding projects, some were just better than the others, some projects that did not make it ended up to be more successful than the winners. However the average level is very high, as

Living space even plays a role in "Aquis Plaza" nominated in the "Shopping Center" category – acting as a bridge to the downtown area in Aachen.

Photos: Ulrik Eichentopf; DR - MIPIM 2016; RICS

Jury we always search for excellence and the finalists selected possess both high architectural appeal and economic sustainability. Finally if I recall some past year's winners like the Olympic Park in London, the Waterfront in Marseille or the Gardens by the Bay in Singapore, I would say: yes, they were really benchmarks for excellence," he concludes.

EVEN THE MIPIM AWARD CAN AND MUST CONTRIBUTE to the promotion of the building culture. Ralf Niebergall, Vice President of the Federal Chamber of Architects, sees his appointment to the jury as recognition of the building culture in Germany. "Certainly from a German point of view, it would be interesting to see the topic of cost-efficient housing construction, and socially responsible building in general, being taken more seriously. It is especially welcome that prizes are also being awarded for the renovation and conversion of buildings, as well as for urban development. This sends the right signals to the estate agency industry and the public. In this area, as in all others, we must promote the best possible architectural quality. Changes in user requirements and social processes are today so complex that, from a sustainability point of view, it already makes sense to realise X number of buildings. Anyone building cheaply today will pay a high price for it tomorrow."

"For RICS, the focus on sustainability considerations within the projects is vital. We are playing a leading role in reducing the environmental impact of the built environment, and I'm pleased to also see it as a focus for MIPIM."

Martin J. Brühl, RICS President of Union Investment Real Estate

Düsseldorf again is nominated with Papillon, the conversion of the bunker in the Heerdt district into high-quality apartments, a finalist in the "Residential Building" category.

Wolfgang Finke MRICS of JLL Düsseldorf confirms that MIPIM Awards even have an impact on regional markets: "In addition to investors, the cities and municipalities involved profit from it because they achieve an entirely new level of publicity. Düsseldorf is a good example of this as the interest of international investors was considerably increased here; a substantial part of this was played by the MIPIM Awards in 2014 for "Kö-Bogen" and in 2015 for "Dreischeibenhaus."

"MIPIM Awards are the internationally most important awards for technically and architecturally outstanding real estate projects. Particularly towns and municipalities being involved profit next to investors achieving a completely new and international publicity with the MIPIM Award. Düsseldorf is a very good example for this: within the last few years interest of international investors has considerably increased supported by MIPIM Awards in 2014 for "Kö-Bögen" and in 2015 for "Dreischeibenhaus."

IN 2016 DÜSSELDORF AGAIN has a chance with Papillon, the conversion of the bunker in the Heerdt district into high-quality apartments, a finalist in the "Refurbished Buildings" category". Such a conversion would never have had a chance without the development of a new city district around it, into which the additional apartments are embedded. The situation is similar in the north of Hamburg – not in Hafencity! – where there will be future residences between canals on the former industrial site, including in "Hansaterrassen," which are nominated in the "Residential Building" category. Living space even plays a role in "Aquis Plaza" nominated as a "Shopping Center" acting as a bridge to the downtown area in Aachen. In fact, the fourth nomination from Germany is also a type of bridge: In the category "Health Real Estate" the jury was won over by the new main entrance and connecting building between the section of the clinic and the research section of the university hospital steeped in tradition on the banks of the Main River in Frankfurt. «

Dr. Gudrun Escher, Xanten

Putting the New Rent Cap to the Test

As of June, the federal states have been able to introduce rent caps for municipalities with tight housing markets. The effects are controversial. The first experiences with this were based on quoted rents and have been extremely diverse. In the meantime, the manner in which local comparative rents were determined has come increasingly under fire.

Rents for apartments continue to rise in economically strong areas with growing populations. The current "Report on Housing Benefits and Rents" of the federal government recorded rent increases of 5% annually in these areas since 2011. In 2014, the national average was around €7.10 per square meter, €0.51 more than in the previous year. Rates were highest in metropolitan centers with €8.79 per square meter and in many university towns with €8.49 per square meter. The report cited the limited volume of new construction as the main reason.

The Tenancy Law Amendment Act, which went into effect on 1 June 2015, allows states to enforce rent caps per ordinance in areas with a "tight housing situation." Rents in new contracts may then be no more than 10% above the local average, except for new construction and comprehensively renovated apartments.

In Hesse, the fact that the rent cap in Frankfurt was not introduced citywide has come under fire. The selection was based on the results of the assessment commissioned by the state from the Darmstadt Institute for Housing and Environment: It determined that rent price growth in Frankfurt in the four districts Berkersheim, Eckenheim, Harheim and Unterliederbach had clearly declined compared to the average for the entire city and was below the 2.0% threshold. In these areas, the level of rents was also below the average for the entire city.

For Frankfurt, the ordinance was a "nasty surprise, which was unexpected because a rent cap was needed for the entire city," according to Frankfurt's Lord Mayor, Peter Feldmann.

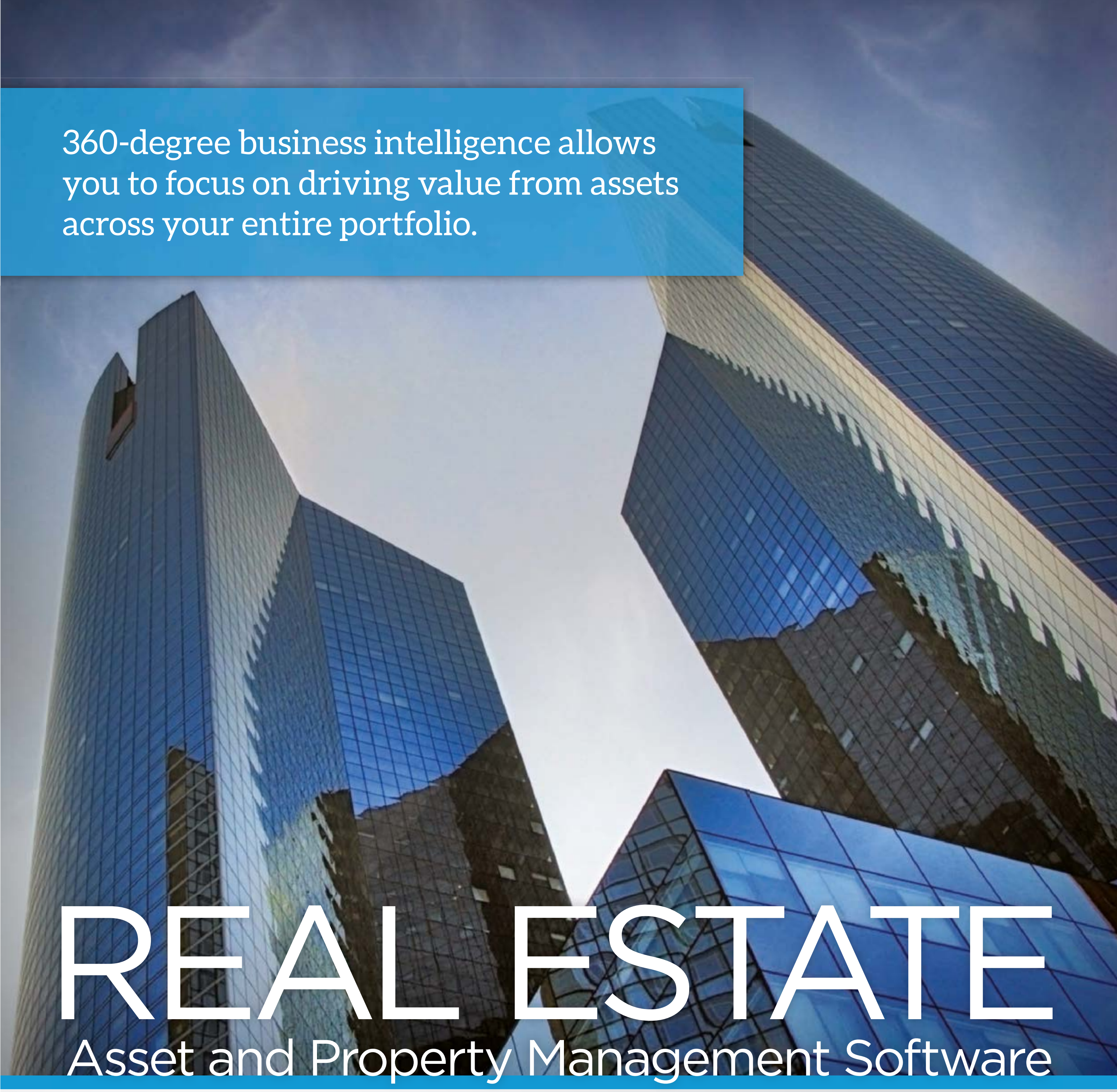
While Thuringia's Minister of Construction Birgit Keller wants to introduce the rent cap in Erfurt and Jena on 1 January 2016, Constanze Victor, Director of the vtw Association of the Housing and Real Estate Industry (Verband Thüringer Wohnungs- und Immobilienwirtschaft), finds this unnecessary. Rents in 198 Thuringian member companies, which represent 50% of all rented housing in the state, were with €4.71 per square meter significantly below the national level.

"Abandonment of an unimpeded development in yields must either be included in the calculation of the trend in rents or property interest."

Professor Dr. Marco Wölfle,
Center for Real Estate Studies (CRES)

NO UNIFORM EFFECT "The decision by the Senate to be the first state to introduce the rent cap immediately and in the entire city was correct because quoted rents are the biggest driver of prices on the market," Andreas Geisel, Berlin Senator for Urban Development and Environment, said at the beginning of July regarding an analysis by the real estate portal ImmobilienScout24. "When the law went into effect, quoted rents fell by 3 percent to €8.53 per square meter." However, as early as January quoted rents with €8.50 per square meter were at a similar level." You can't expect to see lower rents if housing remains in short supply." Jan Hebecker, Head of Data & Markets at ImmobilienScout24, admitted in mid-September.

Other conclusions were reached by the real estate portal immowelt.de, which examined a sampling of twelve cities with rent caps in place. According to this, rents in seven of these cities have risen since the introduction of the rent caps. In Berlin rents excluding utilities were €9.60 per square meter (median) and have thus »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risen by 3% since its introduction. Prices rose in Nuremberg by 6%, in Ingolstadt by 4%. Prices in Erlangen, Munich and Regensburg, on the other hand, have remained stable for the most part.

BASICALLY IT IS QUESTIONABLE whether rent caps can have a demonstrable effect at such an early stage. The impact on local comparable rents will be first visible when the latest rent index is made available and then only with the part of new contracts or amended rental agreements. The quoted rents analyzed thus far also include rents for newly built apartments, rents for comprehensively renovated apartments and rents for existing properties, which were already 10% higher than the level of local comparative rents. These three are, however, exempt from the rent cap and should not even be included in the analysis.

THE PROBLEM WITH THE RENT INDEX is that with the adoption of the rent cap, legislators placed great importance on the local comparative rent. This is defined in § 558 of the Civil Code as the rent which is commonly agreed upon or amended in the last four years for living space of comparable type, size, features and location, including energy efficiency features and condition. Legislators do not specify how this is to be determined. Options mentioned in the law include the rent index, particularly in qualified form, a rental database, which is hardly available for smaller towns, the evidence based on comparable rents and expert reports. A qualified rent index must be generated based on recognized scientific principles, adjusted for market developments every two years and renewed every four years.

The problem is that qualified rent indices are usually only available for large cities and even then properties constructed in different years and locations are combined in a way that either doesn't distinguish properly among them or is incorrectly adjusted for extreme values. Moreover, modernizations are often not included and a limited database is used.

IN MID-MAY THE LOCAL COURT of Berlin-Charlottenburg expressed doubts about the informative value of a qualified rent index (file no.: 235 C 133/13). Based on expert opinion, it was decided that the adjustment for extreme values by the creators of the 2013 Berlin Rent Index was not carried out using accepted scientific methods and the classification of the various residential areas in categories of "simple," "medium," and "good" was too imprecise.

Even the Berlin rent index from 2009 came under scrutiny of the judiciary. In a decision regarding a rent increase (file no.: 63 S 220/11), the Regional Court of Berlin found that the index was not a qualified instrument. Also in this case, the opinion of an expert cast "serious doubts" about how qualified the rent index actually was.

Because the rent cap is difficult to enforce without a statutory guideline on determining the local comparative rent, the Committee of Petitions of the Bundestag is calling for a change in the method of calculation. To impose a qualified rent index, according to the petition from 14 October, all residences must be included, regardless of whether the rents have changed.

Currently, constant rents, which could have a dampening effect on the rent index, are not included. Federal Minister of Justice, Heiko Maas, is preparing a corresponding bill. It is currently unclear when this law will go into effect. «

Gabriele Bobka, Bad Krozingen

Status of the introduction of rent caps in the individual federal states

As of: February 2016. Source: own investigation

Concrete Gold Rush

German real estate is in extremely high demand due to the European investment crisis, resulting in a disintegration of the relationship between rental and purchasing prices. A development like this can lead to a rethink of the inner city rental situation.

Last year has been an exciting year for owners, real estate brokers and property developers alike: rarely has the transaction volume of the real estate investment market been as high as in the previous year, there has also been a wonderful business climate and the annual mean of the German real estate stock index Dimax increased by more than 16 per cent. Interest from international investors has been on a consistently high level and their continued hunger for high yield prime properties remains unsated.

What does Germany have to offer that makes for such a sought-after location? Europe's strongest economic area features excellent economic key figures such as a low unemployment rate, high income per capita and above average purchasing power. Without a doubt these provide an ideal breeding ground for solid economic growth. In view of the strong base of mid-sized companies, during the past few years prominent voices have increasingly been speaking of a safe haven for the European economy. However, such circumstances are not a new development but have already helped the Federal Republic to overcome the last decade's growth crises virtually unharmed.

THE INVESTORS' INTEREST IS FOCUSED ON COMMERCIAL PROPERTIES What, therefore, are the reasons for the recent German market run? What is it that makes German commercial properties so attractive? The reasons have long been known by experts and can be easily explained to any interested parties: the European Central Bank's base rate is set to a historic minimum. As a result, the conditions under which capital-rich organisations can deposit their money in banks are unattractive all across Europe. At the same time, institutional investors, most of all pension funds and insurance companies, of course, rely on a net yield of far more than two percent. It is therefore quite fitting to speak of an investment crisis, a term that is commonly used in the daily and specialised press.

Discouraged by inadequate investment conditions, investors, along with their enormous investment capital, turn to the real estate market. The investors' interest is focused on commercial properties. Nevertheless, their interest is not distributed evenly across the country. The investors' shopping lists are headed by Germany's top 6 cities. It is due to hard facts, rather than image and prestige why major cities and metropolitan regions are particularly sought after. Investment strategists' purchasing decisions are based on centrality, purchasing power and infrastructure.

The competition for prime locations in major cities has an impact on inner-city demand for rental space. Owing to the fact that rent levels have risen continuously in the top cities, a considerable share of tenants is no longer willing to accept any further increases. There are more and more signs in Germany's city centres indicating that there are limits to how far the retail industry will adapt to rising rents. The strategies of international retail chains, however, do not provide for any serious alternatives to inner-city prime locations. Outskirts and less favoured city centre locations are not considered to be valid options for expansion, according to Lührmann's latest survey.

Photos: Julia Kuznetsova/shutterstock.com Lührmann

The escalator in Frankfurt's shopping centre MyZeil is located on the Zeil shopping boulevard. It's been designed by Massimiliano Fuksas.

ADAPTING THE STRATEGY A large proportion of the retail industry has recently reacted to the rental price trend by adapting its strategy. There is an increasing focus on smaller stores offering target-group optimised product ranges. To put it more clearly: stores tend to be single-storeyed with a more exclusive range of products. It is up to property owners to face this big challenge and to facilitate alternative rental price schemes. Meanwhile, more than one in two industry experts consider rental contracts providing for variable pricing, such as turnover or footfall-based rents, to be a feasible solution.

Due to pressure from the large number of international investors, it appears likely that during the next few months it will become increasingly difficult to obtain attractive yields. The high demand is causing purchasing prices to shoot up all across Europe. As a result, the relationship between rental and purchasing prices is becoming completely disintegrated. However, not even prospects of increasingly unattractive yields are putting a damper on the investors' interest.

Rising purchasing prices are also causing owners to raise their expectations. Sellers are currently able to obtain extremely high prices and they are frequently the centre of attention of numerous renowned investors. Current developments do, however, have their drawbacks even for those wanting to sell: acquiring new real estate while reinvesting sales proceeds proves to be rather difficult. The very market situation that has recently proved so favourable catches up with former owners when they are searching for new investment property.

The real estate market's current state, with all of its underlying mechanisms, is not a globally new phenomenon. Outside of the German market, funds and insurance companies have generally been interested in retail properties, office buildings, etc. for a long time. So far the participants of the German market have done remarkably well at not paying the necessary level of attention to this development or even ignoring it altogether. In some cases these proverbial blinkers may well be the result of a typically German tendency to focus on one's own business. Only few individuals appear to have been following and internalising the developments in Paris or London, despite Germany's close proximity to the British and French markets.

Nevertheless, there is a general consensus that interest in Germany's real estate investment market will not come to a standstill over the coming months. The business climate is spurred by the atmosphere of an urban gold rush. Meanwhile, considerable capital is streaming into the bond and property markets. Along with the capital comes its future potential to serve as a catalyst and to permanently accelerate the tentative process of reenvisioning retail locations. «

"The expansion strategies of the international retail industry do not provide any serious alternatives to inner-city prime locations."

Achim Weitkamp, Managing Partner LÜHRMANN Germany

Achim Weitkamp, Managing Partner
LÜHRMANN Germany

Leasing Market Booms with Office Buildings Still Investor Favorite

The German office leasing market benefited throughout 2015 from a stable economy. It posts best annual results since 2007.

High employment rates and rising wages were particularly effective in stimulating consumption, which in turn became a major factor in spurring the German economy. Companies began actively looking to lease space as a result, generating the highest take-up since 2007 in Germany's top 7 office markets of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart with a combined 3,514,300 sqm. There were very few surprises in terms of the industries responsible for this growth. Companies from the IT sector, for example, accounted for more than 20% of take-up in Germany's two largest office locations, Berlin and Munich. Consulting firms and, as usual, the banking sector, were particularly active in Frankfurt, generating 18% each. Consulting firms also accounted for 21% of total take-up in Düsseldorf with the public sector posting 19% in Hamburg and a whopping 48% share of take-up in Stuttgart going to companies from the manufacturing industry.

The market really took off during Q4, bringing in slightly more than one-third of annual take-up with around 1,155,900 sqm. In many cities these results can be attributed to tenant decisions to sign large-scale leases.

UPWARD TREND CONTINUES IN ALL TOP CITIES There were only winners among Germany's top 7 office leasing markets in 2015. However, three locations served as the backdrop for a substantial increase in take-up of slightly more than 17% yoy. A total of roughly 430,000 sqm more office space was taken up in Berlin (+141,700 sqm), Düsseldorf (+150,000 sqm) and Munich (+135,800 sqm) compared to 2014. The other top 7 cities (Frankfurt (+21,600 sqm), Hamburg (+15,000 sqm), Cologne (+35,000 sqm) and Stuttgart (+11,600 sqm) saw a combined increase in take-up of around 80,000 sqm, results that in some cases need to be viewed in light of high previous year results.

Whereas take-up was relatively stable for quite some time and did not begin to increase considerably until last year, vacancy has been on the decrease for five years in a row, down to 5.04 million sqm in 2015 from 8.71 million sqm at the end of 2010.

Over the course of 2015 we saw rents increase in many of the top 7 cities as a result of the ongoing decrease in vacancy. There were few exceptions including the drop in prime rents in Munich and average rents in Frankfurt and Stuttgart. With a share of slightly more than 23%, the premium rent segment starting at €17.50 per sqm particularly recorded higher take-up volumes than in 2014 (18%).

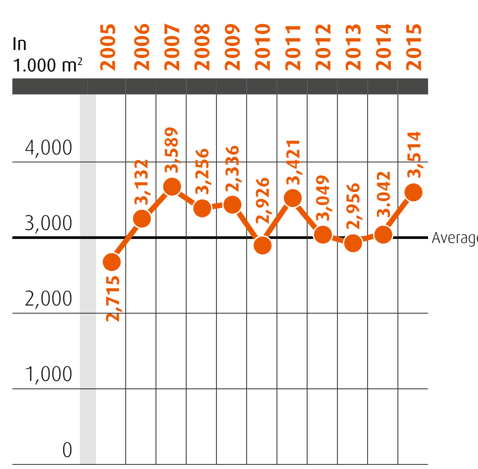
With drops in vacancy rates approaching all-time lows in many locations, leasing alternatives are going to prove increasingly scarce in the future. And with high pre-leasing activity in new-build projects, we do not expect to see an increase in vacancy in 2016. Project developments and revitalization projects will be able to benefit from this situation particularly in view of the highly favorable current financing conditions.

BY FAR THE MOST POPULAR ASSET CLASS IN 2015 Roughly €24.6 bn were invested in German office buildings in 2015, reflecting a yoy increase of around 24% and a 44%

A total of roughly 430,000 sqm more office space was taken up in Berlin (+141,700 sqm). (here: Potsdamer Platz)

SUBSTANTIAL INCREASE

Office Space Take-Up within the TOP-7 Markets in Germany



Source: Colliers International

share of total transaction volume on the German commercial investment market. On the one hand, this high transaction volume can be attributed to high-volume single deals such as the sale of Trianon and Eurotower in Frankfurt for €540 m and €450 m, respectively. On the other, the sale of office portfolios picked up considerably during the second half of the year. The highest volume portfolio deals included Alstria Office REIT's takeover of the Deutsche Office office portfolio for €1.3 bn and Demire's purchase of six properties used by Deutsche Telekom. A total of more than 50 deals were recorded as changing hands for at least €100 m each.

OFFICE BUILDINGS TAKE THE LEAD IN ALL TOP CITIES Excellent numbers on the office leasing market combined with low vacancy rates made investments in office buildings even more attractive to many investors. With a share in total transaction volume ranging from 50% in Düsseldorf to 83% in Frankfurt, office buildings extended their lead even further in Germany's top cities of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. Modern office buildings with long-term leases signed by well-known tenants and located in one of the German office hubs remain the most coveted assets among both German and foreign low-risk institutional investors.

In Berlin, a location that is traditionally dominated by retail, the highest volume deals included the sale of Stettiner Carré, which is leased to Allianz, and several office buildings at Potsdamer Platz Quartier. The Frankfurt skyline is the only one in Germany to be dominated by office high-rises and these took on a leading role in terms of transaction volume accordingly. In addition to the high-rise sales mentioned above, eleven additional office buildings changed hands in 2015 in Germany's banking capital, each going for more than €100 million. Office buildings were also high on investor agendas in Germany's other major cities, accounting for a share of 66% in Hamburg, Munich and Cologne. Within the scope of the Lanxess Arena sale in Cologne, the adjacent Technisches Rathaus building, encompassing roughly 100,000 sqm, was sold to South Korean investor Mirae Asset Global Investment. The highest volume office deals signed in Munich involved Asian investors as well. Ginko Tree purchased shares in a business park in the south of Munich used by Siemens and featuring more than 400,000 sqm, around 160,000 sqm of which is office space. The sale of the Berliner Tor Center to the Zurich Group for €270 m was one of the highest volume single office deals in Hamburg and the sale of office assets, e.g., the Zeppelin-Carré including hotel for some €170 m, accounted for the lion's share of transaction volume in Stuttgart.

YIELDS REMAIN LOW With further drops in prime yields for office buildings, at their lowest at the end of 2015 in Munich at 3.75% and at their highest in Cologne at 5.00%, investor focus increasingly shifted to secondary and tertiary locations where yield compression is not quite as strong. The highest volume single deals outside the top cities included the owner-occupier purchase of the GIZ new-build with room for around 500 employees in Bonn and the sale of the Atrium office building, encompassing 22,000 sqm, in Leipzig.

International investor share in German office building transaction volume was somewhat lower at 42% than their share in the total commercial investment market where around half of total invested capital came from international sources. International investor activity in portfolio deals painted a similar picture with their share of transaction volume for office assets at 26% compared to a 38% share of the total market.

OUTLOOK The majority of investors will continue to focus on office assets in 2016, although we are seeing a trend toward further diversification in terms of location and asset class. We can expect this development to intensify in view of above-average office new-build construction activity in several top locations. «

Peter Bigelmaier, Head of Office Letting Colliers International Germany

In the Focus of International Investors

Germany is one of the most attractive markets for logistics properties worldwide. For 2015, bulwiengesa is assuming an investment volume of around 4.1 bn euros and has calculated a space turnover of 6.3 m m². This means a new record for the German market.

In a study published at the end of 2015, the long-term trends and characteristics of the logistics property market in Germany can be seen even better than from the usual quarterly reports. Under the title “Logistics and Real Estate Germany 2015. Many angles. One survey”, bulwiengesa examines the German market for the first time under the criteria of the real estate business and in a holistic view. To do this, the essential facts and most striking developments in the four areas of project development, construction trends, investment and financing are determined for the period from 2010 to 2015. The fundamental shifts on the investment market are particularly striking here, as international investors have discovered the diversity and stability of the German market for themselves and are accordingly establishing large portfolios. Moreover, the study defines a total of 28 logistics regions in Germany and evaluates these according to their present market appeal on the basis of eight categories in the real estate economy. These categories have been weighted and combined into one score. Based on this score, investors can also read off for 2016 in which regions the most market movement is expected and in which locations their money is invested most safely. The background of the study is the great significance of the German logistics industry in the European context. As such, in 2014, around 2.9 million Germans generated turnover of 235 billion euros in the logistics industry. That corresponds to a proportion of 24% of the total European market. This leading role in Europe will also be maintained by the country in 2016 and generate a corresponding demand for modern logistics properties.

Photo: Bremer AG

The German logistics industry has great significance in the European context. For example: Fiege Mega Center Dieburg

LINK-TIPP | STUDY

The study, "Logistics and Real Estate Germany 2015. Many angles. One survey." is available free of charge and can be downloaded on the following link:
http://www.bulwiengesa.de/en/europe/articles/logistics-and-real-estate-germany-0

RISE IN INTERNATIONAL INVESTORS TO 70% International investors now dominate the German market and have clearly surpassed their domestic rivals. Whereas their proportion still lay at 27% in 2010, it has risen to almost 70% today. This is primarily associated with the investors having increasingly made finds in Germany in their search for stable, promising assets and portfolios, and with them generally having more financial strength than German rivals. 30% of international investments come from neighbouring European countries and particularly Great Britain; a quarter are accounted for by North American investors. In 2015, an increased emergence of Asian investors was observed. The strong presence of international investors on the German logistics property market is expected to continue even beyond 2016, as Germany offers many attractive opportunities due to its regional diversity. The buyers are principally (30%) asset managers, followed by special funds (19%) and owner occupiers (14%).

INVESTMENTS BETWEEN € 20 AND 50 M ARE PARTICULARLY POPULAR One strength of the logistics real estate study is its broad database, which – together with its large observation period – allows accurate statements about the preferences of investors on the German market. 1,205 newly constructed properties and 574 transactions were recorded in the period from 2010 to 2014. On this basis, reliable statements can be made with respect to investor interests in 2016, as certain constants have emerged in the market. As such, investments in the order of 20 to 50 m euros are particularly popular. In no year did properties below the 10 m euro mark achieve more than 15% of the total volume. International investors not only invest more frequently in Germany but also – at 36 m euros per transaction – larger amounts than their domestic rivals who account for 22 m euros per deal. The average sum from international investors is also higher because they rely more intensively on portfolio transactions, which are frequently in the range over 100 m euros. Particularly for new investors on the German market, these are a good way to secure a respectable market share within a short time. The trend towards portfolio transactions is expected to continue in 2016.

REGIONAL DIVERSITY DISTINGUISHES THE INVESTMENT MARKET The diversity of interesting opportunities in a broad variety of regions is highlighted not only by a glance at the current region scoring but also by analysis of the investments in German logistics properties from 2010 to 2014. As a top location for investments, the Rhine-Main/Frankfurt region brings together a mere 11% of the total investments, followed by Hamburg on 10%, and Cologne and Munich each on 7%. Even the Düsseldorf region in eighth place is only six percentage points behind the leader. As such there is a virtually balanced distribution of investments over many regions.

SCORING OF THE 28 LOGISTICS REGIONS IN GERMANY A total of 45 parameters, combined into eight significant parameters, were included in the real estate economy evaluation of the German logistics regions. In turn, of these, the demand for area on the part both of users and of investors is given the greatest consideration at 20%. The other parameters include the supply of space, rent prices, yields, the availability and price trend of land-sites, and regional economic conditions for trade and commerce. The evaluation of the individual categories follows a simple grade system with fine gradings: from 1.00 to 5.00. The first three places in the scoring include regions that were partly not expected there: Hamburg with market appeal of 2.17, followed by Berlin (2.21) and Leipzig (2.25). The first region graded higher than 3.00, Kassel/Göttingen, appears only in 14th place, which once again highlights the diversity of attractive regions in Germany.

Hamburg scores points particularly from the constant demand of logistics property users, the yields for investors, and the good regional economic support for the logistics industry; a strong position was expected for the internationally significant port city. Berlin in 2nd place is a little more surprising; nonetheless, the capital stands out with its large consumer market, equally good yields, and strong demand from users. Halle/Leipzig is one of the most dynamic logistics regions in Germany and consequently makes it to 3rd place; the supply of space, user demand and investor interests are well-proportioned in the region, which is also a result of positive overall economic development and business-friendly policy. Overall, the bulwiengesa score is a good indicator of the regions in which investments should also be expected in 2016. At the same time, the individual placings should not be overvalued. For example, the Upper Rhine region rangs "only" in 15th place but attracted one of the most spectacular new developments of the year at the end of 2015 with a 130,000 m2 logistics centre for Zalando. «

Tobias Kassner, bulwiengesa

Upwards: Why the Hotel Investment Market Currently Knows Only One Direction

More than 50 percent of the investments in German hotel properties in 2015 came from abroad. The proportion of international investors had been similarly high the year before. They increased their combined turnover to more than 2.2 bn euros to gain a share of just under 51%.

The hotel market in Germany is booming. One indication is the steady growth in the number of overnight stays – the most recent estimates point to a record-breaking figure of around 436 m in 2015 – which ensure a very good occupancy rate. What‘s special about this is that this development is not confined to a particular city or region; it is apparent not only in virtually all the major locations but also in many small towns with tourist offerings. Especially in any European comparison, Germany stands out for an abundance of towns and cities that are interesting by international standards, too, and which are benefiting from the trend towards city tours and short trips. The country‘s well-developed infrastructure, which guarantees the easy reachability of many international cities and regions, also contributes to this success story. Then there is the favourable value-for-money aspect: Thanks to the strong construction activity there are many modern reasonably priced hotels. All these factors help to create an excellent basis for the hotel market here. So it is hardly surprising that the hotel sector profits not only from the growing scale of tourism but also from the fact that Germany is one of the world‘s most popular destinations for conference organisers.

NEW HIGH FOR HOTEL INVESTMENTS The boom in the hotel market is reflected not just by record overnight stay figures but also by record investment levels. A BNP Paribas Real Estate survey shows that the transaction volume in German hotel properties in 2015 totalled just over 4.38 bn € – more than ever before. Investment has actually been expanding steadily since 2010, at first in small steps but then, from 2013 on, with increasing momentum. This dashing development has been due to the ongoing rise in the number of overnight stays, to the buoyant building activity which provides an attractive supply of assets, and also in the constantly widening circle of investors.

SURGE IN HOTEL PORTFOLIOS In 2015, single deals accounted for over 2.6 bn €, well over half of the aggregate turnover. The biggest transaction in this segment was the sale of the Sofitel Bayerpost in Munich. This five-star luxury hotel directly by the Central Station changed hands for 180 m €. Other single deals in the triple-digit million range: The four-star Radisson Blu hotel on Dammtor in Hamburg and the four-star andel's Berlin in the German capital‘s Prenzlauer Berg district. But it was not just individual assets which were in demand in 2015; so, too, were portfolios, which have been the focus of increasing investor interest. And in fact portfolios achieved a bigger proportion of turnover than ever before, with close to 1.8 bn €.

One typical feature of the German hotel investment market is that in view of the shortage of supply, many properties are sold a year or two before they are actually completed. In 2015, there were several such forward deals. In Leipzig, for instance with the ibis & ibis budget Am Bildermuseum two hotel projects were sold with the participation of BNP Paribas Real Estate. Another example of

Alexander Trobitz, Head of Hotel Services at BNP Paribas Real Estate

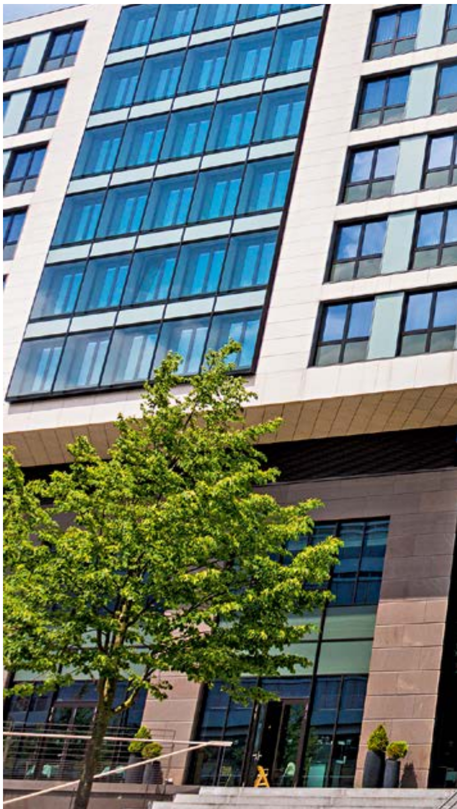


Photo: Ewais/shutterstock.com

a hotel being sold before completion was the Adina Apartmenthotel (Height 3) in downtown Hamburg.

GREATER TURNOVER IN ALMOST ALL LOCATIONS Investment in hotels in 2015 was not restricted to the Big Six locations of Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich – although these cities did account for more than half of the aggregate volume, with around 2.6 bn € – but spread to an increasing extent to places elsewhere, as is revealed by the BNP Paribas Real Estate survey. Taking just single deals into consideration, the proportion of the total generated by cities outside the Big Six is around one quarter. This is something from which large cities with upwards of 250,000 inhabitants have particularly benefited. In the past three years, they have stepped up their investment volume threefold to 340 m €.

Among the Big Six, the leader in the field of hotel investments was Munich again, with turnover of about 747 m €. This result was fuelled by such mega-deals as the Sofitel Bayerpost. In second place in the inter-city ranking came Berlin (647 m €). Excellent results were also registered by Hamburg (around 536 m €) and Düsseldorf (292 m €). All these cities set new records for investment in hotels. At the bottom of the ranking came Frankfurt (250 m €) and Cologne (113 m €), which were the only locations to note year-on-year declines. All the same, their performances were also above average.

HOTEL PORTFOLIOS IN DEMAND FROM INTERNATIONAL INVESTORS More than 50 % of the money invested in German hotel properties in 2015 came from abroad. That is not new; the proportion of international investors had already been similarly high the year before. In 2015 these investors increased their combined turnover to more than 2.2 bn € to gain a share of just under 51 %. Most of the foreign market players come from Europe and together they contributed just over 1 bn € to take first place in the ranking. Also active were buyers from North America, who spent around 800 m € and investors from the Middle East (over 300 m €). Some two-thirds of the capital deployed by market participants from outside Germany went into portfolio deals. This is a segment dominated by foreign investors and they were responsible for 82 % of the relevant turnover. One of the biggest package transactions was the sale of the Leonardo hotel portfolio for around 400 m €. Also notable was the sale of the Accor portfolio; this involved 29 hotels altogether, 18 of them in Germany and 11 in the Netherlands; these changed hands within the framework of a sale-and-franchise-back deal. Overall, there is a trend in the hotel segment – as in other market fields – to pan-European transactions.

LARGE HOTELS MOST STRONGLY FAVOURED The way the investment volume was spread across the different size classes in 2015 was broadly similar to that seen in 2014, but with a slight percentage shift towards the bigger categories. In absolute terms, though, all the segments attracted more capital, with the sole exception of the 10-25 m € bracket. Deals upwards of 100 m € again took first place, with just over 41 %. They were followed by those between 50 and 100 m € (22 %) and between 25 and 50 m € (21 %). The second-smallest category (10-25 m €) accounted for just 11 % of the total, something for which there were two reasons: the general shortage of supply and the increase in prices, which pushed a good many properties up into the size class above. And in fact, the next-higher category (25-50 m €) actually registered the biggest rise of all, with 73 % more turnover than before.

OUTLOOK FOR 2016 For quite a long time now, the German hotel investment market has been enjoying a seemingly never-ending upturn, with turnover figures climbing from one year to the next. Will this trend be sustained in 2016? At the moment, that is difficult to say, because although demand remains very buoyant, there is a shortage of supply. So it seems right to assume that turnover in the hotel investment market in this coming year will in fact fall short of that achieved last year. In addition, there are signs that the development of prices has reached its peak. «

Alexander Trobitz, Head of Hotel Services at BNP Paribas Real Estate

The German hotel investment market has been enjoying a seemingly never-ending upturn.

Is a real estate bubble about to burst in Germany?

Germany's current "fever map" shows which regions in the country are actually affected by an overheating of the housing market with respect to home ownership. It reflects analysis on whether home ownership prices are developing analogue to rents, population and more.

Investors who have invested in residential real estate in Germany will likely be cheered by the latest forecasts on demand for housing: In the coming five years, Germany will require anywhere between 400,000 and 450,000 additional apartments annually. These figures have been calculated by the Cologne Institute for Economic Research, taking into account the current influx of refugees. Even the 350,000 additional residential units mentioned by Germany's Minister for Construction Barbara Hendricks far outstrips the estimated demand for housing in recent years, which has averaged around 270,000 units annually.

ENORRMOUS CHALLENGE Although this presents an enormous challenge for communities in Germany, it's a cause for celebration among investors who have invested in, or plan to invest in, residential real estate. The extremely high demand, particularly in metropolitan areas, can barely be met by the construction industry. This is already an excess of demand for around 310,000 homes that has built up since 2010 due to low levels of construction activity. This figure, however, does not say anything about the regional distribution of demand. Some regions are plagued by high vacancy rates, such as Schwerin (10.7 percent vacancy), Salzgitter (9.8 percent), and Magdeburg (9.5 percent). Future demand for housing will be concentrated on areas where there is already high demand today, and where there are hardly any apartments available. This includes Germany's top seven cities, Berlin, Hamburg, Munich, Düsseldorf, Cologne, Frankfurt and Stuttgart, as well as conurbations in the Rhineland, and around Dresden, Leipzig, Rostock, Freiburg, Nuremberg, Münster, and Hanover. These regions are currently seeing a higher level of new construction activity. However, the housing supply is still lagging behind demand. In Berlin in 2014, around 9,000 new homes were built, while permits were granted for approximately 19,000 apartments. At the same time though, there was a much bigger increase in the number of households: 30,700. In Hamburg, where the population increased by around 16,500, the number of new homes only totalled 6,100, although a further 9,700 were granted planning permission.

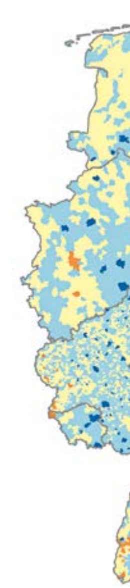
In all places where the demand for housing is increasing, either due to domestic migration or immigration, the same factors are at work: The combination of a high quality of life, varied cultural offerings, and attractive labour markets. The consequences for tenants, buyers, and investors of this dynamic growth in demand surplus have become evident in increasing rent levels and purchase prices. Positive population forecasts combined with historically low interest rates have awakened hopes among private and institutional investors for further price growth, while making higher and higher prices acceptable.

In some places, prices are already being paid which can fundamentally no longer be justified. Purchase prices for owner-occupied apartments and single-family homes have already increased much more strongly in recent years than rents. The introduction of the rent price cap has played an important role in this regard, particularly in large cities where it is already having a dampening effect

WÜEST & PARTNER „FEVER MAP"

The Wüest & Partner fever map shows, at the community level, to what extent there is overheating on the residential property markets for owner-occupied apartments and single-family homes. Each community is allocated a number of points on a total of 23 indicators, on a scale of 1 to 100. Developments in the markets for house and apartment ownership are the main focus. The data is drawn from various official sources, such as the Federal Statistical Office, the statistical offices for the German states, the Federal Institute for Building, Urban Affairs, and Spatial Development, as well as private organisations, real estate agents, and the company's own research. Errors in individual data cannot be excluded.

- hot
- warm
- medium
- cold
- very cold



Source: Wüest & Partner Deutschland

on rents. Purchase prices for apartments are not affected by this though, and can continue to develop in the same unregulated manner as they did before. In some locations in Germany, prices seem to be completely disconnected from the expected demand for housing and income developments. The local population can barely afford to pay the asking prices in these cities, despite historically low financing rates.

Wüest & Partner Germany's current "fever map" shows which regions in the country are actually affected by an overheating of the housing market with respect to home ownership. It reflects analysis on whether home ownership prices are developing analogue to rents, population and local purchasing power as well as construction activity. Those areas where home ownership prices are increasing more strongly than the criteria ought to allow are designated as "overheated." Trends signifying an overheated housing market are apparent for the Munich area, where home prices have increased by more than 70 percent since 2010. In recent years, however, the increase was significantly smaller (around 6 percent between 2014 and 2015). Nevertheless, purchase price development bears no relationship to developments in population size and construction activity. Many residents are now choosing to move to the more affordable cities of Rosenheim, Ingolstadt, and Augsburg and commute to their jobs in Munich instead of continuing to pay Munich's high housing prices.

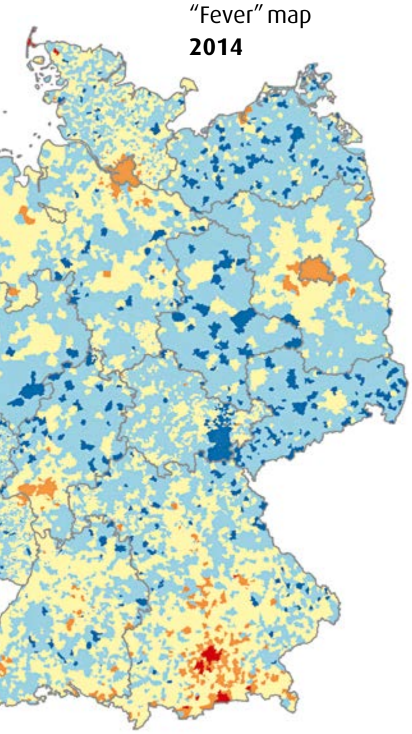
KEEPING PACE? Home ownership markets in and around Hamburg, Berlin, and Frankfurt, where residential construction activity has failed to keep pace with enormous demand can be described as "warm." But certain small-scale developments are also interesting. The dynamically increasing demand for lucrative holiday homes, for example, has resulted in Baltic Sea towns like Binz on the island of Rügen and Heringsdorf on Usedom showing signs of overheating. The communities of St. Peter Ording and Heide on the North Sea coast and the island of Sylt – equally popular with tourists – have been "warm" for some time now. Here, as on the Baltic coast, large nationwide demand for the comparatively small number of homes with an attractive sea view close to the beach in a few preferred locations drive purchase prices.

These select hot markets stand in contrast to a number of regions where cooler trends prevail. The "fever map" from Wüest & Partner shows wide areas of Rhineland Palatinate, Saxony Anhalt and Thuringia as well as parts of Lower Saxony and Hessen with very cold residential market regions. These areas have extremely affordable housing, which is mainly to due with weak economic and demographic perspectives in these mainly rural regions.

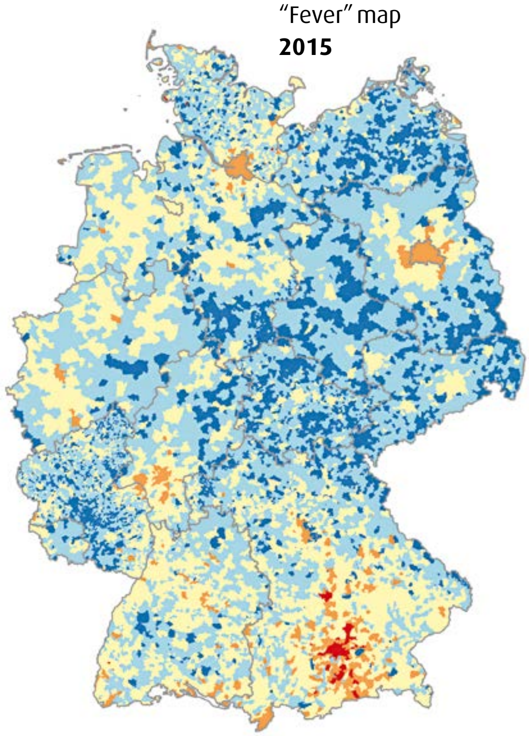
Some tendencies toward a calming of the market can also be seen in large parts of the environs surrounding Berlin and Hamburg. In these areas, growing demand for home ownership is being met by increased construction activity, and prices are affordable for the local population.

The question of whether a real estate bubble is about to burst in Germany can thus be answered with "no". A comparison of the fever maps from 2014 and 2015 clearly shows that there are only a few regions in Germany that have to cope with overheated home ownership markets. There are numerous rural regions that have to deal with the effects of decreasing population and the related risks of high vacancy rates and infrastructure deficiencies. There is ongoing debate over whether or not these relaxed markets are suited to the targeted settlement of refugees and migrants. The mere presence of low-cost housing is not enough to ensure a successful future for these areas, although it could help with short-term accommodation while bringing people back to sparsely populated regions. This can only be sustainable, though, if these regions become (once more) economically attractive. «

"Fever" map
2014

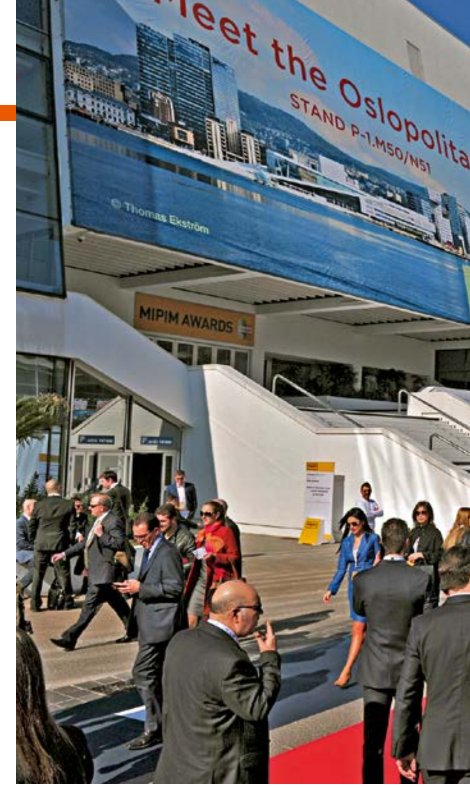


"Fever" map
2015



Karsten Jungk, Managing Director of Wüest & Partner Deutschland and Sven Graven, Managing Director of Wüest & Partner Deutschland

Mipim 2016: A Playing Field for the Gamblers?



German real estate markets are marked by high liquidity, security and positive rental signals – but in light of a lack of good products, there are also risks for investors. From 15 to 18 March, this year's MIPIM in Cannes is taking place against this backdrop.

MIPIM 2016 is opening in the Palais des Festivals in Cannes once again as the leading international real estate forum and global market place. The image of a "party fair" no longer reflects the reality – deals are being made again also in Cannes. But of course, the flair and usually nice weather make many (German) participants look even more forward to it.

A current picture of the rapidly growing international real estate market will be painted in just four days. The fair will enable participants to gain a unique overview of the global market; they can promote their companies on the international stage and build awareness of their projects.

ANOTHER RECORD YEAR EXPECTED Dr. Thomas Beyerle, Head of Group Research at Catella, expects another record number of participants. "Market sentiment on the whole is very good and expectations are very high that this will be another record year. Without a doubt, many international companies will be focusing on Germany."

The investment market for residential properties alone experienced record sentiment again in 2015. Dr. Konstantin Kortmann, Head of Residential Investment JLL Germany, shares this assessment with many of his colleagues in the industry: "Never before had so many residential transactions (460 deals) been made as in last year. In the fourth quarter of last year properties worth €5.0 billion changed hands. This accounted for a total of €25 billion and nearly 360,000 housing units, twice the amount compared to the previous year; this was roughly two and a half times the five- and ten-year averages."

With this year's central theme of the fair, "Housing the World," the spotlight will be on the topics of residential construction and urban policy. "Even in the past investments were made in residential real estate. Currently, however, the economic, political and social importance of the housing segment is increasingly due to the movement and concentration of the population, through social changes, developments in the environmental field and through the need for sustainable urban development. It places this sector particularly in the focus of investors," says Julien Sausset, new Director of MIPIM.

RESIDENTIAL PROPERTY FROM THREE PERSPECTIVES The topic of residential property will be examined from three different perspectives at MIPIM: The event "How to build a livable future whilst maintaining growth targets?" (Thursday, 17 March) will focus on urban development in light of the demands on the private sector compared to the public sector, population density, infrastructure as well as responsibility and politics. The question of whether residential property as an investment will find its way into investors' portfolios in future will be the topic of the panel discussion "Residential asset class: how and where to invest?" (Thursday, 17 March). In addition, delegates at the event will discuss "Tomorrow's buildings: high clean, smart, mixed?" (Wednesday, 16 March), on houses of the future, taking all aspects into account such as architecture, innovation, mixed-use as opposed to pure use as housing and the impact of climate change.

The fair organizers are currently expecting well over 18,650 participants. And the organizers' impressive figures also include more than 2,400 submissions since the beginning of the MIPIM Awards in 1991, 155 trophies awarded to the winners and representation of 88 countries worldwide.

Although main elements are in place to provide for a happy mood, there are also the admonishers: "The combined effect of rural exodus and immigration from abroad on the demand side as well as the emergency situation and cheap interest rates on the supply side are delaying the "normal" sequence of the housing market cycle," contends Empirica analyst, Reiner Braun. But also the exaggerated projections of new construction for refugees and the shift in demand to owner-occupied residences as a result of the rent cap could be throwing additional fuel onto the fire, Braun fears. Then the market could increasingly become a playing field for gamblers.

STRONG FOCUS ON HOUSING The reason the "Housing" segment is so much in focus, says Beyerle, is because it is the only one that unites investors, cities and

Photo: MAGE & CO - VALENTIN DESJARD; DESJARDINS; J. GORIN

What new impetus can be expected this year? We will certainly be hearing the word "start-up" more often.

project developers, regardless of where on the planet. Answers or solutions are needed here above all that relate to the topic of "Housing." This ranges from surface density, urban development concepts, infrastructure and "affordability" – hence, "affordable housing."

Within the eurozone, the soft euro thanks to ECB head Draghi's zero interest rate policy will 2016 also ensure that a lot of money will continue to flow into the markets. Andreas Pohl, Spokesman of the Board of Deutschen Hypo, also still sees Germany on the upswing: "Foreign investors are an important factor on the German real estate investment market. They have been investing again since 2014 and in 2015 even accounted for nearly half of the transaction volume. Their activities are also expected to continue this year as they are taking advantage of the favorable exchange rates and the fact that the prices in the large cities Germany are still favorable compared to the rest of the world. In addition, they are investing not only in A-locations, but also meanwhile in B-locations, as well."

What does this scenario mean for the supply side? "We want to use this constellation at MIPIM," says Gordon Gorski, Managing Director of Hochtief Projektentwicklung. At the forefront will be conversations with foreign investors who do not have a European background and who do not attend Expo Real. Their interest in the German real estate market and specific products will be explored.

RETAIL TRADE IS GROWING IN B-CITIES

"Now that winter appears to have finally made its way to Germany, in addition to interesting conversations, I am also of course looking forward to a bit of spring, which there will hopefully be again in March at the Croissette ," says Iris Schöberl, Managing Director of BMO Real Estate Partners. On the product side, her focus is currently on the real estate fund Best Value Europe, which invests in retail properties in prime locations in major European cities.

Sascha Wilhelm, CEO of Coreestate Capital Group, intentionally and based on thorough analyses focuses on retail trade in cities with populations of 75,000 to 100,000. As opposed to many other European countries, Germany has medium-sized centers that rely on strong medium-sized enterprises.

"In our current study, 'Global Investor Outlook,' around 51% of institutional investors named Germany as the destination for their future real estate investments," explains Ignaz Trombello MRICS, Head of Investment Colliers International Germany. Germany thus ranks number 3 among the investment destination countries, right behind the USA (79%) and UK (55%).

GERMAN CITIES ON THE SHOPPING LIST

"Investors will indeed continue to focus on core site in prime locations where the holding period for properties continues to decrease, but even outside these locations investment activity has increased noticeably. In 2015, investors from France and the USA primarily had cities such as Nuremberg, Bremen, Bochum, Leipzig or Hanover on their shopping lists. Other investors are making use of the good market situation and are preparing to sell larger packages. "With appropriate product availability, Trombello considers an additional increase over last year (€55 billion) in the top transaction volume in the direction of €60 billion to be conceivable.

Hamburg also wants to promote itself more here. After the representatives of Hamburg reduced their presence at MIPIM in two stages a few years ago, this will be expanded again in 2106. On the permanent location in Lerins Hall, 50 additional square meters have been rented to be used mainly to provide a comprehensive view of urban development. Important projects: the Überseequartier, Elbbrücken as well as Baakenhafen in Hafencity.

What new impetus can be expected this year? We will certainly be hearing the word "start-up" more often and hear about investors' willingness to provide support on the way to market maturity. Beyerle also sees a certain risk to traditional business models in a generally ponderous sector, in which innovations have a tough time. Digitalization and Big Data are other catchphrases that will be increasingly heard for the first time in the halls and on the boats. «

Hansjörg Werth, Scheeßel

Smart Cities and Health Should Rekindle Investor Interest

On additional growth expectations, enhancement of the conference and the new Health pavilion. Interview with **Julien Sausset**, the new director of MIPIM.

What is the current mood at MIPIM? We expect slight growth compared to 2015. The exhibition space of MIPIM 2016 is larger than last year and the show is accompanied by an extended conference program that includes more than 350 speakers. The competition among the founders, amongst others, is completely new – the overall winner will be announced in Cannes on 16 March. Various start-ups will present themselves and their ideas to interested trade audiences.

What else would you like to mention about the 2016 program and your first year as MIPIM director? Although this is my first year as director of the exhibition, it will be my 11th MIPIM because I worked for over ten years in the Real Estate division of the organizer Reed Midem. But that sense of excitement and anticipation has, nevertheless, grown every single day. We continue to be focused on enhancing the content through a robust conference program with the most important speakers from the various fields. Key matchmaking and networking events are important terms – everything is geared towards professional exchange and best practices. Here a major role is played by the topics of smart cities and how the future of sustainable, modern living will look. Corresponding case studies will be presented, for example, from Barcelona, Göteborg, Edmonton and Grenoble.

Even the established theme pavilion such as for the Hotel and Tourism sectors or Logistics will be expanded in 2016 and will include a Health pavilion, which will draw attention with two coordinated conference sessions.

What's new pertaining to Germany? Nearly all major European capital cities are represented as exhibitors with their private booth partners to present their projects. Casablanca (Morocco), Belfast (UK), Bologna (Italy), Newcastle (UK), Budapest (Hungary) and the Strasbourg-Ortenau eurodistrict, numerous French cities– and there will be an abundance of new participants from Germany.

One point on the conference program is 15 March at 2:30 p.m. in the Ruby Room under the title "Residential Properties in Germany-Match Up for Investments" which will also deal with intelligent urbanization and population density in Germany's growing cities. Interest in new and old project developments with an innovative character from 2015/16 – made in Germany – remains quite high. «

Hans-Jörg Werth, Scheeßel

NEW EXHIBITION DIRECTOR

Julien Sausset has been the director of MIPIM since June 2015. He had already joined the organizer Reed Midem in 2005 as the Commercial Director in the Real Estate division, responsible for the regions Asia/Pacific, the Middle East and Africa. In 2013, he also became the MIPIM UK Deputy Director. Prior to this, Sausset held several international management positions, amongst others at Hop Lun International Fashion Ltd. France, EasyJet Group and Damart Group. He holds a master's degree in economics from the IUP Université Claude Bernard, Lyon, and an MBA from France's HEC School of Management.

Photo: Reed Midem

Panel discussion

Highlights at MIPIM 2016 will include a panel discussion on "The German Real Estate Market—Still an Attractive Destination?" on 15. March 2016, which will address questions and topics such as "Are prices for prime locations too high and what are the consequences?", "Where are potential locations?" and "Which group of investors will continue to focus on Germany?" In general, MIPIM will not be concentrating on one specific country and instead will focus on the main topics to be addressed in both the conference program and in the exhibition halls.

INVESTORS

Many Hotels at MIPIM

The increasing importance of the Hotel asset class is also reflected in the exhibitors at MIPIM. Three well-known hotel companies were acquired as new exhibitors with Starwood Hotels & Resorts, the Rezidor Hotel Group and the Louvre Hotel Group.
Club Med, Meininger AccorHotels, InterContinental Hotels Group, Hyatt and Easyhotel will be returning. In addition, the tourism ministries of Brazil, Indonesia and the Philippines will be presenting the investment opportunities in their countries.

Flexibility is essential at a trade fair. The most important information on taxis, helicopters & Co.

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(duration: approx. 50 min.)

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Price: one-way: 20 Euro,
round trip: 30 Euro

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(bus station)

Departs from Cannes Hôtel de Ville:
daily every 30 minutes from
8:00 a.m. to 6:00 p.m.,
additionally at 7:00 a.m.
and 7:00 p.m.


Croisette zone
C9 - Catella
C10 - Bouygues Immobilier
C11 - Saint Petersburg. Russia
C12 - Paris Region
C14 - Istanbul Chamber of Commerce
C15 - London Stand
C16 A - Emirates REIT
C17 - Engie / Groupe Idec
C19 - MIPIM Croisette Village
C20 - Nakheel
C21 - MIPIM Innovation Forum - Hall 1 & 2
MIPIM Area
Restaurants
Information point
Cloakroom
C9
C10
C11
Beach
C12
C14
C15
C20
C21
RIVIERA 8
RIVIERA 7
Riviera Entrance
Access to Riviera 8
Protocol Entrance
PALAIS -1 to 6
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The power of people

MIPIM 2016
The German Companies

More than 170 German exhibitors will be present in Cannes this year. Several of them will be appearing together in the German Pavilion, the joint exhibition area of German companies.*

Exhibitor / Company	City	Booth number
Aachen 1a c/o Stadt Aachen	Aachen	R8.D13
Aareal Bank AG	Wiesbaden	R7.C 7
Aareal Real Estate AG	Wiesbaden	R7.C 7
ABG Frankfurt Holding GmbH	Frankfurt	R7.G20
Accumulata Immobilien AG	Muenchen	R7.G16
Adlershof Projekt Gmbh	Berlin	P4.C10
Aengevelt Immobilien GmbH & Co. KG	Duesseldorf	R7.G12
Airportpark FMO GmbH	Greven	R8.D13
Angermann Investment Advisory AG	Hamburg	R8.B20
Anschutz Entertainment Group	Berlin	P4.C10
APCOA PARKING Holdings GmbH	Stuttgart	P-1.G66
Apollo Real Estate GmbH & Co. KG	Frankfurt	R7.F15
AS&P - Albert Speer & Partner GmbH - Architekten, Planer	Frankfurt	R7.G20
Baker & McKenzie	Duesseldorf	R7.F28
Bankhaus Ellwanger & Geiger KG	Stuttgart	P4.C20
BayernLB	Muenchen	R7.G16
Baywobau Baubetreuung GmbH	Muenchen	R7.G16
Baywobau Baubetreuung GmbH	Berlin	P4.C10
BBE Retail Consulting IPH Retail Property	Muenchen	R7.G38
Becken Development GmbH	Hamburg	R8.B20
Becken Holding GmbH	Hamburg	R8.B20
Berlin Hyp AG	Berlin	P4.C10
Berlin Partner für Wirtschaft und Technologie GmbH	Berlin	P4.C10
Berlin, City of Berlin c/o Berlin Senate for Urban Development	Berlin	P4.C10
Berliner Sparkasse - Niederlassung der Landesbank Berlin AG	Berlin	P4.C10
Berliner Volksbank	Berlin	P4.C10
Berlinovo Immobiliengesellschaft mbH	Berlin	P4.C10
Bilfinger Real Estate GmbH	Frankfurt	P7.G24
BIM Berliner Immobilienmanagement GmbH	Berlin	P4.C10
Blue Estate GmbH	Stuttgart	P4.C20
Bodensee Standort Marketing GmbH	Konstanz	R7.G38
BPD Immobilienentwicklung	Frankfurt	R7.D19
Bulwiengesa AG	Berlin	R7.G38
Bundesarchitektenkammer e.V.	Berlin	R7.G38
Bundesstadt Bonn	Bonn	R8.D13
Catella Real Estate AG	Muenchen	R7.D5
Centrum Projektentwicklung GmbH	Duesseldorf	R7.G12
Cerberus Deutschland Beteiligungs-beratung mbH	Frankfurt	R7.G20
CG Gruppe AG	Berlin	P4.C10
CG Gruppe AG	Berlin	R8.D13
Chapman Taylor	Duesseldorf	P-1.N50
City of Cologne - Office of Economic Development	Cologne	R8.D13
City of Dortmund	Dortmund	R8.D13
City of Stuttgart	Stuttgart	P4.C20
Colliers International	Berlin, Dusseldorf, Frankfurt, Hamburg, Munich	P-1.M51
CommerzReal	Cologne	R7.G20

»

*Companies participating in the German Pavilion are highlighted in gray

As of: February 2016. Source: www.mipim.com

Exhibitor / Company	City	Booth number
Corpus Sireo	Cologne	R7.620
Cushman & Wakefield	Frankfurt, Berlin, Hamburg, Munich	R7.G 9
DB Station & Service AG	Berlin	R7.G16
Degewo AG	Berlin	P4.C10
Deka Immobilien GmbH	Frankfurt	R7.G20
Dekabank Deutsche Girozentrale	Frankfurt	R7.G20
Dentons Europe LLP	Berlin	fehlt
Deutsche Bahn	Berlin	R7.G16
Deutsche Immobilien AG	Hamburg	R8.B20
Deutsche Pfandbriefbank AG	Unterschleissheim	R7.G17
DG Hyp AG	Hamburg	P-1.J67
Dialer Architekten	Muenchen	R7.G38
DIC Asset AG	Frankfurt	R7.G20
Die Developer Projektentwicklung GmbH	Duesseldorf	R7.G12
Drees & Sommer GmbH	Stuttgart	P4.C20
Drees & Sommer GmbH	Hamburg	R8.B20
Drees & Sommer GmbH	Muenchen	R7.G16
Drees & Sommer GmbH	Frankfurt	R7.G20
Drooms GmbH	Frankfurt	R7.G20
Duesseldorf & Partner	Duesseldorf	R7.G12
ECE Projektmanagement GmbH & Co. KG	Hamburg	P-1.H51
Eike Becker Architekten	Berlin	R7.G38
Eller + Eller Architekten GmbH	Duesseldorf	R7.G38
ENA - European Network Architecture	Baden-Baden	R7.G38
Engel & Volkers Commercial GmbH	Hamburg	R7.G20
Epple Holding GmbH	Heidelberg	P4.C20
Essen City c/o EWG Essener Wirtschaftsförderungsgesellschaft mbH	Essen	R8.D13
Europa-Center AG	Hamburg	R8.B20
EY Ernst & Young Real Estate GmbH	Eschborn	R7.D18
Flughafen Duesseldorf Immobilien GmbH	Duesseldorf	R7.G12
Frankfurt, City Of C/O Wirtschaftsförderung Frankfurt GmbH	Frankfurt	R7.G20
Frankfurt-RheinMain GmbH	Frankfurt	R7.G20

Exhibitor / Company	City	Booth number
Frankonia Eurobau AG	Nettetal	R7.G12
Fraport AG	Frankfurt	R7.G20
FREO Financial & Real Estate Operations GmbH	Frankfurt	R7.G20
GEG German Estate Group AG	Frankfurt	R7.G20
German Cities & Regions Pavilion	Berlin	R7.C27
German Pavilion / Deutscher Pavillon c/o LMI GmbH		R7.G38
Graft Gesellschaft von Architekten GmbH	Berlin	R7.G38
Greif & Contzen Immobilien GmbH	Koeln	R8.D13
Grohe AG	Dusseldorf	fehlt
Grossmann & Berger GmbH	Hamburg	R8.B20
Groth Gruppe	Berlin	P4.C10
GSK Stockmann + Kollegen	Munich	R7.G16
Hackenberg & Co. GmbH	Frankfurt	R4.C3
Hadi Teherani Architects GmbH	Hamburg	R7.G38
Hafencity Hamburg GmbH	Hamburg	R8.B20
Hamburg Business Development Corporation	Hamburg	R8.B20
Hamburger Sparkasse AG - Bereich Immobilienkunden	Hamburg	R8.B20
Hammer AG	Muenchen	R7.G16
Hannover Leasing GmbH & Co. KG	Pullach	R7.G16
Hansainvest	Hamburg	R8.B20
Hascher Jehle Architektur	Berlin	R7.G38
Heico Property Partners GmbH	Wiesbaden	R7.G16
Helaba Landesbank Hessen-Thueringen	Frankfurt	R7.G20
Heuking Kuehn Lueer Wojtek	Duesseldorf	R7.G12
Hogan Lovells International LLP	Hamburg, Duesseldorf, Frankfurt, Muenchen	P-1.H 1
HSH Nordbank AG	Hamburg	R8.B20
HypZert GmbH	Berlin	R7.G38
IBA Hamburg GmbH	Hamburg	R8.B20
Immobilien Zeitung Verlagsges. mbH	Wiesbaden	R7.F19
Industrieterrains Duesseldorf Reisholz AG	Duesseldorf	R7.G12
Intecplan GmbH	Duesseldorf	R7.G12
Investa Projektentwicklungs- und Verwaltungs GmbH	Muenchen	R7.G16

*Companies participating in the German Pavilion are highlighted in gray

As of: February 2016. Source: www.mipim.com

Exhibitor / Company	City	Booth number
Investitionsbank Berlin	Berlin	P4.C10
K+P International Architects and Urban Planners GmbH	Muenchen	R7.G38
KGAL GmbH & Co. KG	Gruenwald	R7.G16
Kleihues + Kleihues Gesellschaft von Architekten mbh	Berlin	R7.G38
Koelbl & Kruse GmbH	Essen	R8.D13
LBBW Landesbank Baden-Wuerttemberg	Stuttgart	P4.C20
LHI Leasing GmbH	Muenchen	R7.G16
MEAG	Muenchen	R7.G16
Meininger Hotels	Berlin	P-1.C40
Metropolregion Rhein-Neckar GmbH	Mannheim	R7.C27
Metro Properties Holding GmbH	Duesseldorf	R7.G12
Michael Schick Immobilien	Berlin	P4.C3
Motel One Development GmbH	Muenchen	R7.G16
MSI Gewerbeimmobilien GmbH	Freiburg	P4.C1
Muenchen, City of Munich	Muenchen	R7.G16
Muenchener Grundbesitz Verwaltungs GmbH	Muenchen	R7.G16
Munich Airport International	Muenchen	R7.G16
NRW.Invest GmbH	Duesseldorf	R8.D13
OFB Projektentwicklung GmbH	Frankfurt	R7.G20
Optima-Aegidius-Firmengruppe Nymphenburger Beteiligungs AG	Muenchen	R7.G16
Otto Wöhr GmbH	Friolzheim	P4.C20
OVG Real Estate GmbH	Berlin	P4.C10
Pandion Real Estate GmbH	Muenchen	R7.G16
Park Immobilien Projektentwickungs- und Planungs-GmbH & Co. KG	Muenchen	R7.G16
Phase Eins Project Consultants + Design Competition Org.	Berlin	R7.G38
Priedemann Fassadenberatung GmbH	Grossbeeren	R7.G38
PwC	Berlin	R7.D30
Quantum Immobilien AG	Hamburg	R8.B20
Rainer Schmidt Landscape Architects + Urban Planners GmbH	Muenchen	R7.G38
REAG Real Estate Advisory Group	Frankfurt	P-1.G65
Real Estate Stuttgart Chartered Surveyors GmbH	Stuttgart	P4.C 3
Reiss & Co. Real Estate Muenchen GmbH	Muenchen	P4.C 3
Rheinmetall Immobilien Gmbh	Duesseldorf	R8.B20
Rock Capital GmbH	Gruenwald	R7.G16
Runze & Casper Werbeagentur GmbH	Berlin	P4.C10
Sauerbruch Hutton	Berlin	R7.G38
Savills Immobilien Beratungs-GmbH	Frankfurt	R7.E74
Sax Concept GmbH	Tuebingen	P4.C 3
Schindler Deutschland AG & Co. KG	Berlin	C21.C 8
Schuessler - Plan Ingenieurgesellschaft mbh	Duesseldorf	R7.G12
Schulz und Schulz Architekten	Leipzig	R7.G38
Siemens AG - Siemens Real Estate	Muenchen	R7.G16
Stadtsparkasse Duesseldorf	Duesseldorf	R7.G12
Stadtsparkasse Muenchen	Muenchen	R7.G16
Strabag Real Estate GmbH	Koeln	P4.C20
Stuttgart Region Economic Development Corporation	Stuttgart	P4.C20
Sueddeutsche Zeitung GmbH	Muenchen	R7.G16
TLG Immobilien AG	Berlin	P4.C10
Triuva Kapitalverwaltungsgesellschaft mbH	Frankfurt	R7.G20
TUEV Sued	Muenchen	R7.G16
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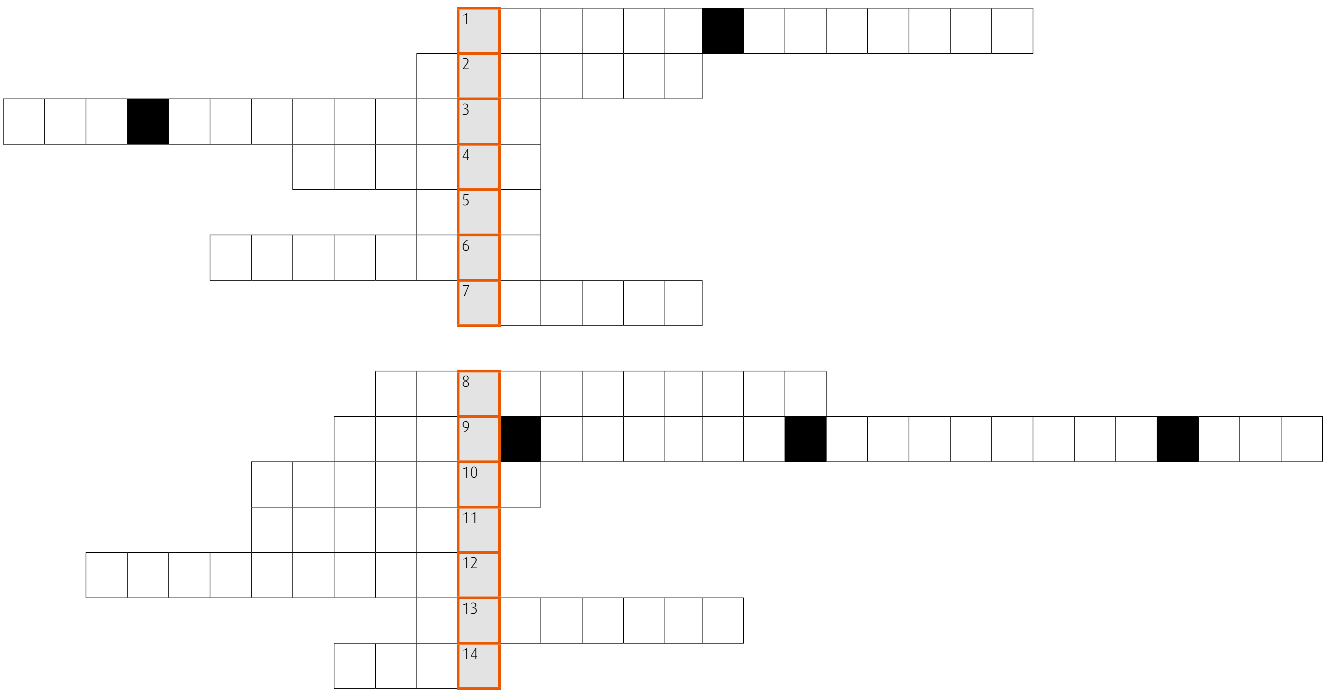
Wirtschaftsregion Offenburg/Ortenau	Offenburg	P4.C 1
Wuhr + Bauer GmbH	Muenchen	R7.G16
Yardi Sytems	Mainz	R7.F27
Zech Group GmbH	Bremen	R7.G12
ZIA Zentraler Immobilien Ausschuss	Berlin	P4.C10

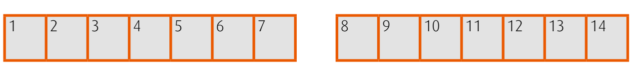
*Companies participating in the German Pavilion are highlighted in gray

As of: February 2016. Source: www.mipim.com

Germany and Abroad

1. This former German Chancellor died in 2015
2. Name of the film that won the Oscar for Best Picture in 2015
3. The current coach of FC Bayern München
4. First name of Germany's current Chancellor
5. Germany's largest software manufacturer
6. Germany's "Green City"
7. First name of a famous violinist,who died in Berlin in 1999
8. Former German soccer star
9. Which property tax increased sharply in Germany in 2015?
10. Germany's largest housing company
11. Which country won the Eurovision Song Contest?
12. Germans' favorite meal
13. The Bundesliga club of which city was coached by Liverpool coach Jürgen Klopp until 2015?
14. The former German capital





Please send your answer with "Contest" in the subject line to redaktion@immobilienwirtschaft.de. The deadline for entries is 4. April 2016. The winner will receive a case of German "Tannenzäpfle" beer. Decisions are final.

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