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03
2019

immobilien wirtschaft

THE GERMAN REAL ESTATE NETWORK

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RESIDENTIAL PROPERTIES The Power of Brand Identification

RETAIL PROPERTIES Investment Decisions – An Area of Tension

PROPTECHS A New Level of Intensity in Data Partnerships

THE TRENDS IN ALL ASSET CLASSES

GERMANY 2019 Real Estate Investment Market

HAUFE.

Where to Invest?

"By comparison, things, also in 2019, clearly point to Germany with its relative political stability, general economic strength, and current economic data."

Jörg Seifert,
Managing Editor Trade Magazine "Immobilienwirtschaft"

Dear Readers,

Germany – the safe haven. I just can't hear it anymore! And yet, it actually is – relatively speaking. But what is happening in the 'Divided Kingdom' with the Brexit drama looks more like an abyss than a safe realm. Of course, in the European real estate industry Ireland, France, and the Netherlands are seeing opportunities in this theatrical situation. But, by comparison, things clearly point to Germany with its relative political stability, general economic strength, and current economic data.

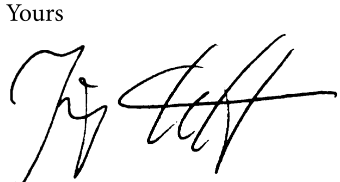
Even without the co-working hype, the entire Federal Republic and especially the top 7 cities apparently remain reliable investment opportunities in real estate. Whether in commercial office or retail properties, however, yields are weakening even in "Good Old Germany". The reason for this is the high prices. Because of this, for example, Hamburg, Germany's gateway to the world, has dropped to third place in the domestic transaction market ranking for the first half of 2018 behind the banking metropolis of Frankfurt and despite having the highest quality of life and best economic parameters. The booming capital city, Berlin, continues to lead the pack.

Also in Germany, where the commercial real estate market plays a larger economic role than the residential real estate market, which has been booming for years, there is a grumbling coming from the highest lobbying groups regarding the prevailing economic policy in the country. The Central Real Estate Committee ZIA strongly criticizes some political agendas that have led to a preference for the residential real estate market. But they also speak plainly about the cap on rent increases and demand an answer to the current restrictions on the German logistics real estate market. They also feel it is important to take an economically practical approach to contributions made by the German real estate industry towards achieving Europe's climate targets.

Perhaps you aren't even looking for a safe haven. Therefore, read this current MIPIM special issue to get an accurate overview of the German real estate industry as a whole. The latest developments in the political framework conditions and the relevant real estate asset classes are also presented. And don't miss MIPIM's wonderful trade fair atmosphere to personally get in contact with the numerous German exhibitors to fine-tune your investment decisions. They are listed at the end of this issue.

I wish you an exciting read and equally inspiring discussions at MIPIM.

Yours



26 **DATA PARTNERSHIPS**
The cooperation between tech companies, on one hand, and established companies, on the other, has reached a new level of maturity and quality.

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Core markets of the Rhine-Neckar metropolitan region are developing positively

The overall positive development of the real estate markets in the Rhine-Neckar metropolitan region is reflected in the office market of the three core markets of Mannheim, Heidelberg, and Ludwigshafen. The low vacancy rates and steady rate of floor space turnover point to a shortage of supply. Although the volume of completions doubled with 31,000 square meters, this increase did not compensate for the bottleneck that had already occurred in previous years. New office buildings are mainly being built in inner city locations. In all three cities, this led to a significant increase in prime rents in the inner city. The Rhine-Neckar Metropolitan Region in the Southwest of Germany inhabits 2.4 million residents, encompasses eight cities where major industry companies (such as ABB, BASF, SAP, Roche), research facilities and universities are located.

Your contact is the Metropolitan **Region Rhine-Neckar GmbH, Booth No. R8.D24.**

FRANKFURT FORWARD 2.0

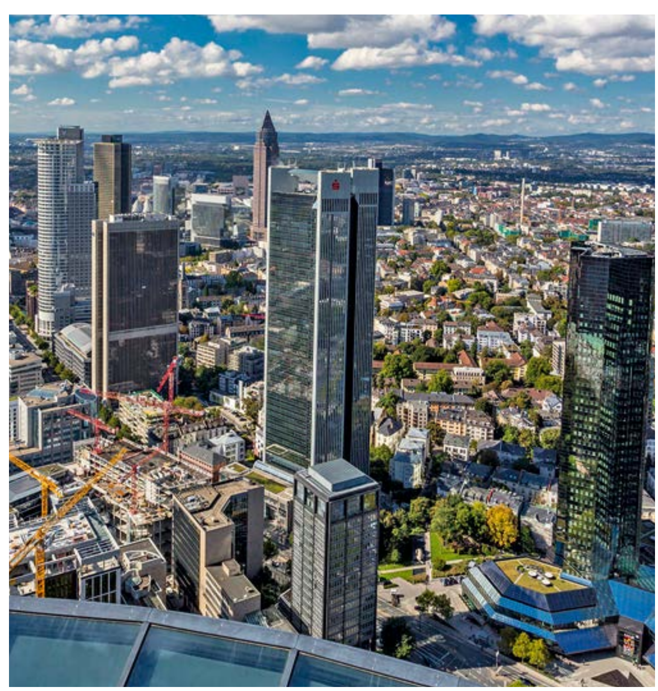
New Form of Promotion of Economic Development

Part of the Industrial Master Plan, the program for startups, investors and companies, promotes the further development of innovation and digitization at the Frankfurt am Main location. At the heart of Forward 2.0 are matchings in which selected startups present their solutions for companies' digital challenges. Moreover, the startups, companies and investors are given visibility, further network opportunities and access to trend-setting business ideas at their own events.

Most recently, the program brought together industrial park operator Infraserv Höchst and Roomhero. This Frankfurt startup offers its customers online tools with which the customer can "walk" virtually through the rooms furnished by Roomhero.

Markus Frank, Economic Affairs Officer of the City of Frankfurt am Main and sponsor of Frankfurt Forward 2.0 says: "Over 90% of established companies want to profit from the innovations of startups – from flat structures, the fast pace and fresh ideas. And, over 90% of startups with experience in collaboration would like to work again with established companies – they provide support, experience and customers." In October 2019, the best new company will be named Startup of the Year.

You will receive further information from the **City of Frankfurt c/o Wirtschaftsförderung Frankfurt GmbH, Booth No. R7.G20.**



Frankfurt's major corporations as well as young companies are reaching for the sky

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GERMANY AT ITS BEST
NORDRHEIN-WESTFALEN

NEW URBAN DISTRICT

Hamburg Planning "Science City"

Plans for a 125-hectare Science City Bahrenfeld were unveiled on January 22, 2019 in Hamburg's City Hall. The first architectural competitions are due to launch in 2020.
New scientific institutes and around 2,500 apartments are to be built near the Bahrenfeld research campus. Plans are being laid to expand the Deutsches Elektronen-Synchrotron (DESY) and for the University of Hamburg to permanently locate the faculties of physics, chemistry and parts of the biology department in Science City. Thus, Bahrenfeld would become an even more attractive residential area thanks also to rail links and large recreational areas.

HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH will be providing further information at **Booth No. R8.B20.**

125 hectares of space are available for Science City Bahrenfeld near the Hamburg's Volkspark in the Altona District

New Regional Innovation Networks in North Rhine-Westphalia

The state of North Rhine-Westphalia is already supporting seven regional innovation networks with a total funding volume of almost two million euros. Two further networks have been added in the current round of funding: "Demographic change and transport area of the future" of the University of Wuppertal and "Promotion of participation in working life in the Münsterland region" of the Münster University of Applied Sciences.
Of the existing innovation networks, "People-centered surroundings for residing, living, working" is leading the way in the real estate industry. Since 2012, it has developed concepts for converting existing properties into smart homes. The "Ruhr Energy Efficiency" in Mülheim-Heißen is also closely related to the industry. This is about rebuilding an entire district in an energy-efficient way.
The Regional Innovation Networks are intended to create a lasting platform for experts from very different areas: technically savvy and socially committed persons, entrepreneurs and businesspersons, local decision-makers from administration and associations and, above all, researchers. Partners from all areas work together to develop concrete questions that should then be addressed by science. They bring together experts in workshops and working groups and ensure lasting cooperation.

Information is provided by **NRW.INVEST GmbH, Economic Development Agency of the German State of North Rhine-Westphalia (NRW), Booth No. R8.D13.**

Share confidential Data

If you are looking for a data room or just want to chat with team of specialists about how to securely share your confidential data, then meet with Drooms. The company is exhibiting in association with the City of London, C15.

Information is also provided by **Drooms, Booth No. R7.G20 on the VIP Terrace.**

Behind the Ecosystem

At Yardi the innovation behind the ecosystem of real estate management applications means that whatever part you play in the real estate lifecycle, there is an application specifically designed to meet individual, role-specific needs. The company's approach drives higher levels of personal efficiency and at the same time, removes the need for disparate, risk-adverse systems supplied by separate software vendors.

Your contact is **Yardi Systems GmbH, Booth No. R7.F27.**

Nuremberg is getting a new Technical University for 1.2 billion euros

This will enrich the science hub of Nuremberg and provide impulses for higher education in Germany: The Bavarian State Government decided that Nuremberg should get a new Technical University. In terms of content, the focus is on technical disciplines, supplemented by economic and social aspects.
By 2025, the facility is expected to go into operations, teaching up to 6,000 students. With total investments of 1.2 billion euros, the campus university will combine teaching, research and housing. The former south train station will serve as the location for the university.
On a space of around 90 hectares, a completely redesigned city district is being created, which will be shaped by the new university.
In addition to teaching, research and housing, there will also be space for the establishment of high-tech companies, startups and spin-offs from the university to create a new ecosystem for science and industry.

Visit the **Office for Economic Development of the City of Nuremberg at Booth No. R8.D24.**

Flexible Workspace 2019 Continues to Gain Ground

Based on the processes of change, also driven by steadily rising investor demand, we expect a continued strong increase in flexible workspace centres and their expansion. The linchpin of the modern, digitized economy, office space in urban areas will continue to remain.

Which one of you has more than one physical workplace? Do you have a desk at home, in the tube, in the airport lounge, in the café or in the beer garden? As you can see, people are now working (almost) everywhere. The boundaries of living, working, shopping etc. are becoming increasingly blurred. The work of postmodernism does, of course, come up against a relatively rigid form of service provision in so-called office buildings, often manifested in a three-, five-, seven- or ten-year rental agreement.

But a first change in this evolutionary phase came to light with the massive emergence of so-called satellite offices in recent years – especially among large, internationally active companies. At present, the new form of work is usually described as coworking, although the associated work in open spaces is only part of the flexible world of work on closer inspection. In addition, there are shared offices or business centres, which offer private offices in particular, as well as the hybrid model, which combines both variants. There is no doubt about it: the obvious breakthrough of a classic, long-term office lease may not yet have reached the overall structure of the European office real estate markets. But the great potential seems within reach. This development is based on the two key attributes of our postmodern society: pay-per-use and flexibility at work. This dynamic can be described as "Pay only for what you really use and keep the opportunity open for you to act flexibly in ever faster changing markets and companies". In addition, there is the "community" – i.e. a community that provides the new working environment and creates a new working atmosphere with joint activities such as sports activities, wine tastings, theatre, start-up support for self-employment and membership in a cross-location office network.

"In 2019, the focus in the real estate market segment of the so-called flexible workspaces will be primarily on the development of the Group's own coworking and campus structures of the Corporates, mostly on the outskirts of the city centre."

In 2019, the focus in the real estate market segment of the so-called flexible workspaces will be primarily on the development of the Group's own coworking and campus structures of the Corporates, mostly on the outskirts of the city centre. The "community of diversity" "of" more classic "coworking" "providers" will be "largely replaced with" the community-within a company – more across departments, because coming from the outside. The hunt for the "idea" or efficiency improvements will become the mantra of the coming years within the increasingly scarce space in the existing structures. The digital change will strongly dynamize this development, flexible at the same time, to enable networked and creative work and, ideally, to create a new culture of co-operation.

In 2019, we estimate the share of flexible workplace space in Europe (EU 28) at around 2.9 million m². In relation to the total European office space market of around 275 million m², this is nevertheless only around 1.05%. Based on the aforementioned processes of change, also driven by steadily rising investor demand, we expect a continued strong increase in flexible workspace centres and their expansion.

The linchpin of the modern, digitized economy will continue to be office space in urban areas. «

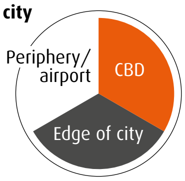
Dr. Thomas Beyerle, Catella Research

FLEXIBLE WORKSPACES IN GERMANY

Increased Efficiency and a New Work Culture

In 2019, the focus in the real estate market segment of the so-called flexible workspaces will be primarily on the development of the Group's own coworking and campus structures of the Corporates, mostly on the outskirts of the city centre. The community of diversity of more classic coworking providers will be largely replaced with the community within a company – more across departments, because coming from the outside. The hunt for the "idea" or efficiency improvements will become the mantra of the coming years within the increasingly scarce space in the existing structures. The digital change will strongly dynamize this development, flexible at the same time, to enable networked and creative work and, ideally, to create a new culture of cooperation. The linchpin of the modern, digitized economy will continue to be office space in urban areas.

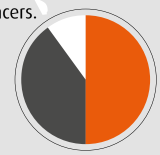
Geographical distribution of coworking spaces in the city



Hamburg (37 spaces)

USERS
Broad range: Technology companies, university-related companies and creative people can be found next to startups and freelancers.

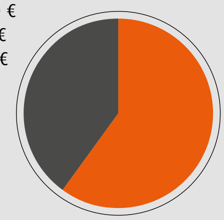
MEMBERSHIP/PRICING
Flex desk: 130–400 €
Fix desk: 250–400 €
Day tickets: 5–18 €



Berlin (103 spaces)

USERS
Most diverse user groups, creative persons, artists, musicians and producers, photographers, Fab-LABs,from women-only spaces to non-profit spaces, everything can be found here. Large corporations, freelancers and one strong start-up scene characterize the market.

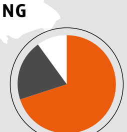
MEMBERSHIP/PRICING
Flex desk: 130–380 €
Fix desk: 265–400 €
Day tickets: 10–25 €



Dusseldorf (24 spaces)

USERS
In addition to larger companies and freelancers, many startups and media agencies use these spaces.

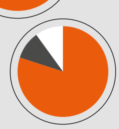
MEMBERSHIP/PRICING
Flex desk: 100–300 €
Fix desk: 240–400 €
Day tickets: 15–30 €



Frankfurt/M. (43 spaces)

USERS
The majority comes from (large) companies, freelancers, and startups, companies from the digital and fintech industry and a small comes from creative and social fields.

MEMBERSHIP/PRICING
Flex desk: 150–300 €
Fix desk: 200–450 €
Day tickets: 9–30 €



Cologne (22 spaces)

USERS
Mainly Corporates and freelancers, as well as start-up centres, companies from the areas of environment, social services and culture.

MEMBERSHIP/PRICING
Flex desk: 170–360 €
Fix desk: 210–460 €
Day tickets: 15–28 €

Leipzig (17 spaces)

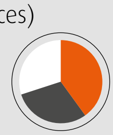
USERS
Focus on creative industries, often integrated studios, LAB rooms, alongside the classic startups, freelancers and corporates.

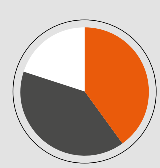
MEMBERSHIP/PRICING
Flex desk: 150 € (memberships and introductory offers often available)
Fix desk: 150–185 €/month
Day tickets: 10–12 €

Stuttgart (17 spaces)

USERS
Primarily young companies and freelancers, also includes creative persons and media professionals.

MEMBERSHIP/PRICING
Flex desk: 199–390 €
Fix desk: 230–600 €
Day tickets: 14–30 €





Munich (38 spaces)

USERS
In addition to the corporates and freelancers, above all university-related startups and persons active in the media industry are finding space.

MEMBERSHIP/PRICING
Flex desk: 250–400 €
Fix desk: from 400 €
Day tickets: from 25 €

CATELLA

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A Growing Market with Growing Pains

Berlin has enormous potential. However, there are a few snags: The mills of the authorities often grind slowly; the culture of welcoming companies needs to improve. Politicians need to increasingly make citizens aware of the opportunities for Berlin from companies looking to resettle.

Herr Thomsen, it is a fairly new phenomenon that project development in Berlin is receiving so much attention ...
Henrik Thomsen: That's true. In 2011, project development in the residential sector in Berlin still played a subordinate role. Back then, if you as a project developer were to ask institutional real estate investors what they were focusing on, they would always answer on offices, maybe hotels, but never on residential properties.
Marcus Buder: Meanwhile, 180,000 apartments for around 300,000 Berlin residents could be built in inner city areas, according to our Senate ...
Jürgen Overath: My perception has been that the luxury living segment is now almost completely served. There are, in fact, a lot of apartments that investors have bought on a speculative basis, but people are beginning to wonder just who will rent all of these apartments.
Thomsen: We have developed city quarters on the order of 600 units and upwards. And that, I believe, is not a bad approach to creating a lot of living space as quickly as possible. Berlin still has room for more such developments and it should be put to use.

We are observing a sharp increase in rents for residential properties...
Buder: Berlin has some catching up to do: Compared to other major European cities, rents for residential properties are still low on average. And this applies in part to new leases. For example, Berlin housing companies are currently (as of 2018) getting on average 7.45 euros for new leases.

Does this have anything to do with the fact that it seems that new companies are not always welcome?
Thomsen: Berlin is experiencing major growing pains and is reacting emotionally. In a nutshell: "If Google doesn't move here, then coffee will still cost €2.20." We need a joint discussion in which the Chamber of Industry and Commerce and business associations should play a crucial role.

Let's look at Google's decision not to build its campus here. That's not a good signal to the outside world ...
Thomsen: We are in a phase of polarization, not just in Berlin. Fear and insecurity are being used as political tools. Political signals are being sent in the form of individual measures. Of course, these signals, the topic of the Karl-Marx-Allee, the Google Campus being built elsewhere, or even the debate about expropriation are not solving any problems, quite the opposite. Politics and business can do so much together, we are not making sufficient use of the growth opportunities that are there.

Is the Senate doing enough for investors?
Thomsen: Since 2012, the Groth Group has only converted redevelopment sites into building land, such as unused areas of the German Rail, the Post Office, and in part former military grounds. All areas had one thing in common, namely that

THE PARTICIPANTS (left to right)

Jürgen Overath
Chief Operating Officer of TLG IMMOBILIEN AG, Berlin

Henrik Thomsen
Managing Director Groth Development GmbH & Co. KG

Marcus Buder
Division Manager Commercial Real Estate Financing of Berliner Sparkasse

Dirk Labusch
Editor in Chief of "Immobilienwirtschaft"

"We need a joint discussion, in which the IHK (Chamber of Industry and Commerce) and business associations should play a crucial role," says Henrik Thomsen.

Photos: Michael Kuchinke-Hofer

construction permits had to be issued. Here we have observed difficulties that exist in the procurement of building permits and this is becoming increasingly complicated.

Overath: It takes a long time for building permits to be issued, but this problem is not limited to Berlin.

Looking at how much time is required to realize high-rise projects for all involved, the situation is naturally less than satisfactory. Yet Berlin soon needs more high-rises and the corresponding infrastructure, and this is a challenge for all involved.

Buder: After all, the need for commercial space has now been acknowledged, and the Senate Departments for Urban Development/Housing and Business are in communication... There is an increasing number of cases in which areas were zoned as commercial property instead of residential property. And, in light of jobs and potential economic development in certain neighborhoods, I find this quite important. For a long time, the response to the high demand for commercial space was simply not sufficient.

Overath: Living and business are still two completely different worlds. Living is more emotional, business is more rational – when we imagine an entrepreneur who decides on a business location. Of course, the risk is that a company, planning to move to Berlin in three years, might ultimately opt to move to another region because rents are cheaper and it is easier to find employees and funding. When »

When you talk about Berlin, you can't help but smile

this happens, we have lost out in Berlin, because in this digital age it hardly matters where a company is actually based.

The northwest area of Berlin is very vital

Buder: The entire northwest of Berlin is much more vital than it was ten years ago. At the time, it was difficult or even impossible to find tenants in Kapweg in Wedding, for example. What financiers simply did not view as an office location, is now in demand today. Previously even Siemens-Stadt would not exactly have been described as an office location, now however you will find the technology campus as well as techno-park, and Siemens wants to return to this location. And this is not in the city center, but rather Spandau!
Overath: The situation we are in is actually a luxury: Things are going well in offices, commerce, housing and logistics. We would not have dared to dream of such a situation ten years ago. It would be fantastic if everyone would work together to make a construction project happen! At the moment, however, we cannot satisfy the demand for space as we would like and the market is demanding it.

Is this the reason why you're moving to the surrounding area?
Thomsen: The topic of building in the surrounding area is interesting for us, but we aren't there yet. After all, Berlin still has large spaces and potential and it would be important to create a consensus in the urban society, which also advocates growth within the city. This makes a lot of sense both ecologically and economically

However, there are the well-known defense mechanisms such as resident protests...
Thomsen: Of course, when the inner city becomes denser, social defense mechanisms make things more uncomfortable for all involved. It is more complex than when a city grows outwards – also politically. There is no question that a certain amount of external development can make sense for Berlin, above all where good infrastructure and accessibility already exist. For me, however, it would be a mistake to only rely on external development just because it is easier.
Overath: A sprawling Berlin, on the other hand, would not be very helpful either. You won't solve the problems by heading to the periphery of Berlin. The quality of life increases with proximity to the city center and, for this reason, I believe that the demand for housing and commercial real estate in a central infrastructure is still high. Therefore, the city center as a location is irreplaceable.

City center vs. outskirts vs. surrounding areas

Buder: The outskirts have a lot to offer. Teltow has a large office agglomeration, Potsdam has a strong market, there is a lot happening in Dreilinden. I am also convinced that a large amount of office space will be created on the grounds of the BER Airport, which will take more pressure off the city center. Existing offices are already well leased as accessibility in the region is quite good. And you will be able to reach Alexanderplatz quickly from the highway when it is finally completed.
Overath: There is some room for improvement in the infrastructure. While traveling abroad, I was asked about how Berlin intends to tackle this issue when the major airport is finally finished. "How will you create space for companies that aren't moving in yet because infrastructure is still lacking?"

"Realizing high-rise projects simply takes too much time for all involved," says Jürgen Overath

"My plea to everyone looking for more affordable residential or office space: Also have a look at the outskirts," states Marcus Buder.

Could office space at BER Airport replace office space in the city center?
Buder: Yes. It takes less than half an hour to reach the city with public transportation, given that Berlin has an extensive public transportation network. In addition, completely different business locations are emerging from the BER Airport. For example, it is currently quite fashionable to set up an office at the Gesundbrunnen Airport Express stop. There are enough areas that illustrate that offices can be well situated and connected not only in the Central Business Districts, but also in peripheral locations. I would also like to mention that the GSG commercial properties from Reinickendorf to Marzahn are suitable locations here.

So you are encouraging people to take a closer look at the surrounding areas?
Buder: Yes. Prices in the city center area have increased considerably in recent years. That's another reason why I find it so exciting to not only deal with the 88 square kilometers located within the commuter rail ring. Because Berlin has ten times as much space and more to offer than just the city center. There are also Pankow, Reinickendorf, Köpenick and many other livable districts such as Frohnau or Karlshorst with often much lower rents. «

Dirk Labusch, Freiburg

FRANKFURT RHEINMAIN

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www.frankfurtatmipim.com

As of February 4th, 2019

Investment Decisions – Area of Tension Between Risk and Return

For years there was only one direction for rents and purchase price factors in Germany's prime locations and that was upwards. The prices for retail spaces have risen, while the returns have dropped. This trend appears to be now slowly but surely reaching its peak.

Both national and international traders are paying close attention to the location, the dimensions and the construction quality of the shop in their expansion. Rents are being negotiated hard and the subject of turnover rent is being discussed in many meetings. In addition to stagnating or, in some locations, even decreasing rents, contractual periods are also being squeezed. Until recently, five to ten years were the norm, and now it is a maximum of five years, often with special termination rights. This combination requires increasingly detailed assessments of properties in the retail asset class. Carrying out a blanket assessment based on the location is not recommended since all details of a property should be considered for it to be successful in the medium and long term, and so that it yields the forecasted returns. The possibility of third-party use is therefore the main focus.

INVESTORS ARE BECOMING MORE SENSITIVE
In the past three decades, the retail asset class has developed superbly. Concrete gold is crisis-proof, limited choice was faced with large demand. The combination of stagnating rents and constantly shorter contract periods reduces the attractiveness of investment in retail property. Furthermore, the owners are demanding more incentives such as completion or rent-free periods.

The investors, on the other hand, have also become more sensitive. Purchase price factors are being carefully checked and negotiated, especially since no further rent rises are expected in most German city centres.

OFFICE AS AN ALTERNATIVE OR IN ADDITION? Many investors are therefore directing their focus on other asset classes. Office property, or at least mixed-use property with a high proportion of office space, is becoming increasingly attractive. Rents are rising considerably, but owners are seeing increasingly fewer causes for incentives such as rent-free periods or special conversions. The principle of "demand determines supply" is now taking full hold. The purchase price factors are primarily rising since another increase in rental income is certainly to be expected in the near future. After all, when the economy is booming, the demand for office space rises and therefore so does the price of rent.

The development in the past five years just confirms this assumption. The rents in the office sector have virtually doubled in some cities and locations. However, no other asset class is as dependent on the economic situation as office real estate. Therefore, a doubling followed by a halving cannot be ruled out. The cycles can be very short – five economically weak years can be enough for this. It is therefore a very volatile market and investments in new tenancy spaces are high.

HIGH INVESTMENT IN NEW TENANCIES
While in retail trade properties the handover standard is often referred to as a "refined shell" in which the new tenant invests

"Retail property in prime locations is the most stable asset class of this market segment."

Roman Zwolinski,
Sales Team Leader Lührmann Munich

Photo: Lührmann

in the shopfitting, flooring and lighting to meet the corporate design and specific product displays alone, the inputs for new tenancies in office real estate are disproportionately higher. The owner must often invest several hundred euros per square metre in floors, walls and outfitting. At this point, however, there is still no talk of special conversions. Investment decisions in the property asset class are therefore increasingly about a choice between risk and return.

THE SPECIALIST MARKET AS SAVIOUR? Retail and office are two favoured asset classes with their own specifics, such as condition of space, technical expansion and contract periods, and of course opportunities and risks. National and international investors are therefore on the lookout for the all-in-one-solution. It should be crisis-proof and high-yielding, with long contract periods and constant rents as well as causing few administrative costs. At first glance, the specialist market appears to come very close to being this sought-after saviour.

This is clearly down to the stable rents in the food retail trade and the readiness to conclude contracts over ten years and longer. In contrast to other sectors, the daily goods trade is perceived to be less at risk from e-commerce. Amongst other things, this assumption allows the demand in the market to increase at a constant rate. The purchase price factors are therefore rising as well– slowly but steadily.

A MARKET WITH FEW PLAYERS The circle of interested investors is expanding. The number of classic tenants in the specialist retail centres, however, is relatively constant. Few major players determine market activity and they are nomads if a new build or a better location is on offer after the end of the contract period.

An important factor in the success of a specialist retailer is good access. It should also have ample parking, with regard to the number of spaces but also the size of the spaces. Anchor tenants in the food retail trade are another success factor for specialist retailers. Tenants who cover periodic demand, such as chemists, bakeries or hair dressers, complete the shopping centre.

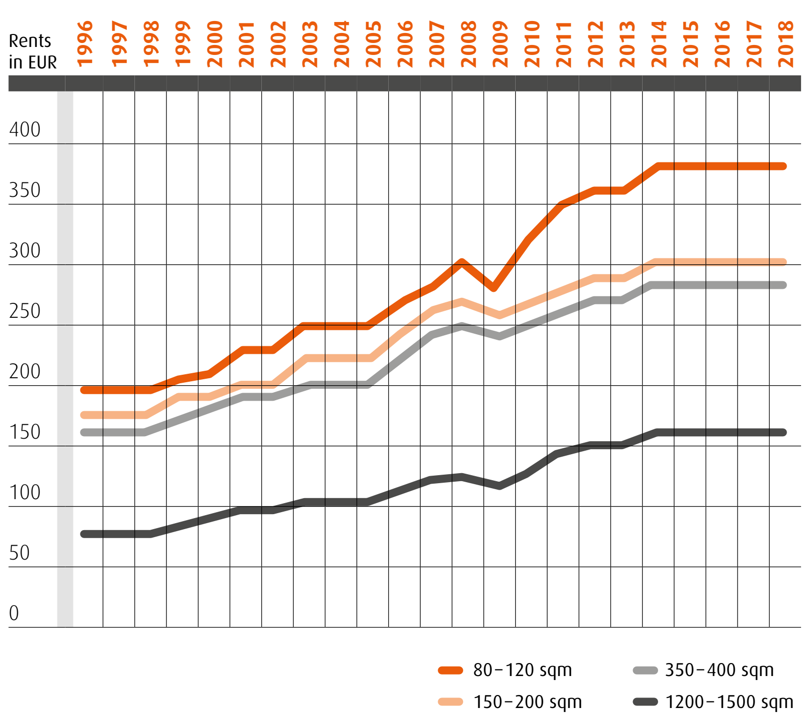
RENTS IN SPECIALIST RETAIL CENTRES ARE SO FAR STABLE The customer frequency and the attractiveness of a specialist retail centre are increased with its diversity of tenants. More and more tenants in prime locations are also locating there; price-conscious textile stores and shoe shops, but also electronics retailers and sports and leisure suppliers can increasingly be found in the centres. Until now, the rents in specialist retail centres have appeared to be constant. However, since the food retail trade continues to be very expansive and a downright cut-throat competition prevails between the major providers, a short to medium-term rise in rents is realistic.

LOCATION DOES NOT REPLACE EXPERTISE A basic investor principle is that the lower the risk, the lower the return. A time when purchases and sales in prime locations were based on price alone is over. Sustainable use and use by third parties need to be checked thoroughly. Just because a property is in the best location, it is far from being a house that can be sold without expertise – regardless of whether it is in the city centre or specialist retail centre. Over-the-counter retail will always exist in cities if trends and potentials are recognised. For specialist retail, the political direction of each Federal State has an influence on future development which should not be underestimated. Property life cycles and third- party usability are risks which need to be included in investment decisions. Office real estate is dependent on economic parameters like no other asset class. When viewing the development over the past 20 years, it becomes clear: retail property in prime locations is the most stable asset class of this market segment. «

Roman Zwolinski, Sales Team Leader Lührmann Munich

COMPARISON OF PRIME RENTS IN RETAIL

Between 1996 and 2014, prime rents in the retail sector rose steadily, except for a small slump in the crisis year of 2008. Since 2014, rents have stagnated.



Source: Lührmann

Commercial Properties – the Political Stepchild

From an economic perspective, commercial properties make up a larger proportion in German cities than residential properties. The issue of office space shortages is greatly occupying decision-makers in German companies. The retail industry also relies heavily on important investments. In addition, the logistics sector is reaching its limits. But politics has yet to respond to this.

In November 2018, the Federal Statistical Office registered around 44.85 million employed persons living in Germany. In addition, the rating agency bulwiengesa recorded the number of office workers in Germany at around 14.7 million in 2017. This underscores that one in three workers in Germany is also an office worker. Along these same lines, it is worth taking a look at the retail sector: According to the HdE German Retail Association, around 3.7 million people were employed in retail (excluding trade in motor vehicles). Needless to say, a majority of operations takes place in retail space. After all, shopping remains one of the most popular leisure activities in Germany – if not for everyone.

The transaction figures also provide further impressive figures on non-residential properties. The volume has risen steadily since 2010. According to the brokerage house JLL, a new record was set in 2018 for commercial properties. This area accounted for 60.3 billion euros, which alone has tripled since 2010 and is an increase of more than six percent compared to 2017. Office properties are the type of use most in demand, accounting for around 29 billion euros alone in this asset class.

By contrast, we can take a look at the politics of the year 2018. In April, for the first time leaders of the SPD factions in the Federal states, the Federal Government and in the EU Parliament described the topic of "Housing" as the new social issue of our time. Federal Minister of the Interior, Building and Community, Horst Seehofer, used these exact same words and other politicians have formulated their assessments similarly. As announced in the Coalition Agreement, for this reason the Federal Government sent out invitations to a residential summit in the Federal Chancellery in the fall of 2018. Numerous representatives from politics, business and social organizations came together to develop measures to counter rising rents and prices for residential properties.

LACK OF INTEREST WITH CONSEQUENCES

In the Coalition Agreement of the Grand Coalition in the spring of 2018, this focus on affordable housing was formulated accordingly and in detail. The coalition speakers mention a "housing offensive", "renting" and "home with a future". However, an overall view of the real estate industry is lacking. Thus, the word "office" is never mentioned once in the coalition agreement. This is being disregarded in spite of the tense real estate markets. For example, the current coalition agreement between SPD, Die Linke and Bündnis 90/Die Grünen for the state of Berlin did not include one single measure to promote office space and office workplaces.

This lack of interest has consequences. All of Germany is informed on a regular basis about the precariously tense situa-

Housing is an extremely emotional issue and of great interest to nearly every voter. But legislators should be aware that commercial properties make up an equally significant – in economic terms, even greater – share in our cities and municipalities.

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74.6

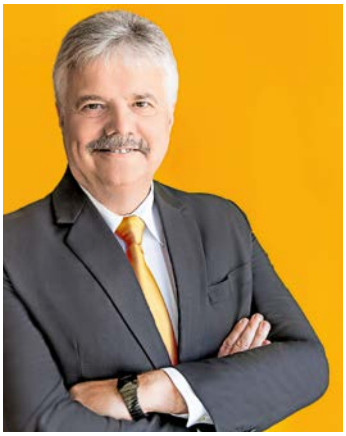
The level of urbanization, i.e. the proportion of city dwellers measured by the total German population, is at 74.6 percent.

tion in housing markets in major cities and university cities in Germany. Almost daily there are reports of major developments in rents and purchase prices, on the displacement of renters and people looking for homes as well as on the masses of people showing up to view a property. One reason for the dangerously low levels of vacancies is the high influx into Germany metropolitan areas from home and abroad. But one important insight is missing. This influx does not just have an impact on residential properties. New residents also need a place to work and to take care of their daily needs, and this development presents a challenge especially to office markets.

This is leading to similar "growing pains" as in the housing segment. According to the spring report in Immobilienwirtschaft from 2018, prime rents in the 127 largest office market cities in 2017 rose for the seventh time in a row. Nationwide, 2017 saw a very sharp decline in the number of completions of office space. Only 1.6 million square meters of new space were completed in the 127 office markets in Germany. The decline compared to the previous year amounted to minus 16.5 percent or a minus of about 320,000 square meters. New building completions in A-cities were particularly strong and amounted to about 700,000 square meters. Compared to the previous year, this represents a decline of 27.1 percent. As a result, vacancy in the 127 German office market cities fell for the seventh time in a row. Since the locations Munich (1.9 percent vacancy, minus 80 basis points in the course of 2017), Stuttgart (2.1 percent vacancy, minus 80 basis points in the course of 2017) and Berlin (2.4 percent vacancy, minus 60 basis points in the course of 2017) were basically fully let, the office markets in Cologne (4.0 percent vacancy, minus 160 basis points in the course of 2017) and Hamburg (4.4 percent vacancy, minus 90 basis points in the course of 2017) are basically about to reach the 3.0 percent limit for full occupancy.

This dangerous trend has been virtually ignored by politics thus far. Priority is still being given to new housing projects. This is even understandable from a political standpoint. Every person in Germany resides in one form of housing or another. The home ownership rate is only 52 percent, in Berlin (14 percent) and Hamburg (23 percent) it is even in part significantly lower. The level of urbanization, i.e. the proportion of city dwellers measured by the total German population, is at 74.6 percent. In other words, three out of four persons live in German cities. Alone nearly ten million persons live in the seven largest German cities, where the situation is particularly tense.

WHAT POLITICS HAS TO RESPOND TO The strong focus on new residential properties is therefore quite understandable. Housing is an extremely emotional issue and of great interest to nearly every voter. But legislators should be aware that commercial properties make up an equally significant – in economic terms, even greater – share in our cities and municipalities. Although the shortage of office space may not be discussed as much in public, it is an important topic in the executive, expansion and real estate departments of German companies. The retail industry also relies heavily on important investments to be able to compete with online retailing. In addition, the logistics sector is reaching its limits due to the order behavior of Germans, which has been on the rise for years. But politics has yet to respond to this. But what happens when a company wants to expand in Munich and does »



"The influx into the cities does not just impact residential real estate. Every new inhabitant needs a place to work and take care of their daily needs. Therefore this development also presents a challenge especially for office markets."

Dr. Andreas Mattner, President, ZIA German Property Association

not find new space? It will likely be forced to leave the city, and Munich thus loses the corresponding business taxes. Or the company gives up on its own expansion plans. This could have economic consequences for the future as well as a negative impact on both employees and employers. What happens if a young startup company searches for the first larger space for its own business development in Berlin and doesn't find any? Even a startup company, which is usually under even greater cost pressure than established market participants, is forced to leave the desired districts or even the state of Berlin entirely. In a worst case scenario, the underlying business idea must either be approached differently or even disregarded entirely due to a lack of infrastructure.

AN URGENT CONCERN OF GERMAN LEGISLATORS Our cities and municipalities are not only our habitat; they are also the economic foundation of our society. This is where value creation takes place, upon which the social system of the Federal Republic is based. And every single office space is a production location. At a time when our working world is transforming from industrial production to a service economy with digitally-driven, innovative and sustainable business models, the ratio of office workplaces to other space is increasing. This is what our cities and municipalities should be prepared for. And it should also be an urgent concern of legislators.

At the same time, the demands placed on commercial properties are continuously rising. Digitization, shortages of skilled workers, sharing economy, increasing efficiency, climate protection and sustainability. These are just a few examples of the global challenges faced by developers of and investors in office space. Politics and society need to take this as seriously as the real estate industry and bolster our sector. Otherwise, we put the economic development in our cities at risk. And thus also the high quality of life in Germany's centers. As a leading association of the real estate industry, we will not allow that to happen. «

Dr. Andreas Mattner, President, ZIA German Property Association

The retail industry also relies heavily on important investments to be able to compete with online retailing

Photo: frantic00/shutterstock.com

The Only Way Is Forwards

Climate protection is one of the most difficult tasks we are facing, yet at the same time it is also one of the greatest areas of responsibility that the real estate industry must address. Legislators are actively developing an appropriate regulatory framework (as of January 2019).

The building sector plays a central role here. This is also reflected in the Climate Protection Plan 2050, developed by the Federal Government based on the goals of the Paris Climate Accord. In 2014, the equivalence of 119 million tons of CO_2 was emitted in this segment. In comparison, it was 209 million tons of CO_2 in 1990. By 2030, this figure is expected to drop to 70–72 million tons of CO_2 emissions per year. An ambitious task, considering how great the savings have been over the past twenty years.

And yet this presents the real estate industry with an opportunity to further increase energy savings in the building sector. However, more rigorous construction regulations and stricter policy requirements for new construction aren't necessary. After all, this segment clearly offers the least potential when compared to existing buildings. No, we actually need to take a look at the other 99 percent of buildings, namely those that have already been built.

NO RELAXATION AFTER ACHIEVING THE INITIAL GOALS Several ideas have been discussed in politics in recent years that could prove useful here. Some legislative proposals, such as the German Energy Act for Buildings, which provides for a simplification in regulatory law, have also gotten off the ground. But there can only be one way forward in climate policy. Anyone who thinks that we can relax somewhat now that the initial goals have been achieved would be wrong.

The real estate industry is a loyal partner of the Federal Government when it comes to achieving the climate goals. At the Real Estate Industry Conference, Federal Environment Minister Svenja Schulze correctly described our industry as a model student and expressed her regret that construction is no longer part of her area of responsibility. The second point of her statement is open to discussion, but there can be no debate on the first part.

APPROPRIATE POLITICAL FRAMEWORK NEEDED ZIA also is fulfilling its role as a leading association of the real estate industry in climate policy legislation. In order to advance the goal of our industry, i.e. the turnaround in energy policy in the building sector, they have convened the Energy Task Force. Representatives from business, science and research are working together here. A core result of their previous work is the development of alternative proposals for the development of sustainable energy policy in terms of climate protection and conserving resources. The corresponding publication was submitted in the autumn of 2017, thus in time for the federal election in Germany. Several measures were discussed ahead of this with numerous political representatives and entities in Brussels and Berlin.

The focus of the proposals is clear. In order to achieve the climate goals in the building sector, we need an environment that is open to technology, economically meaningful and promotes innovations – which is generated by appropriate political framework conditions. In this context, the real estate industry has concluded an innovation alliance with the Federal Government in order to remain in close coordination. On the European level as well, the German real estate industry has entered into talks with EU Environmental Commissioner Karmenu Vella thanks to the support of Budget Commissioner Günther Oettinger.

Initial successes have already been achieved. In the Coalition Agreement, which was presented in the spring of 2018, the Federal Government has expressly pointed to an openness to technology and economic viability. In addition, it has distanced itself from a new tightening of the EnEV. This is a very important success for ZIA, as the EnEV 2016 had already reached the limits of what is technically feasible in some building classes. Moreover, the ruling parties have advocated a simplification of the regulatory law, the provision for district solutions and the introduction of a tax write-off for the energy-efficient refurbishment of buildings – important demands formulated by ZIA on behalf of the real estate industry. »

209 million

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The mandate of the Coalition is an agreement to examine a switch to future requirements for CO_2 emissions

"We are working to introduce a nationwide database to record our sector's CO_2 emissions. This could actually make the individual savings targets of our sector measurable."

Thomas Zinnöcker, Vice President of ZIA German Property Association and CEO of ista

Now, these words must also be followed by deeds. Although the Federal Government was already able to show how regulatory law should be simplified in the draft for a building energy law, so far these plans have yet to be realized. In it, the merger of EnEV, EnEG and EEWärmeG is defined, which will lead to a significant legal simplification and reduction in bureaucracy for the real estate industry.

The bill follows the principle that high-quality energy-saving buildings can be built both economically and using common technologies. In addition, the requirements for new construction and existing buildings remain unchanged. After lengthy discussions about a tightening of the EnEV in the last legislative period, legislators are now keeping their word and protecting the building sector from uneconomical construction price increases. According to the bill, the unchanged energy requirements fulfill the criteria of the EU building directive for nearly zero-energy buildings. Expert economic studies confirm that the level of valid economic requirements still meets the criterion for cost optimization enshrined in the EU Buildings Directive. Further cost drivers for building shells are therefore not expected for the time being.

Moreover, the building energy law should facilitate the use of renewable energies in buildings. For example, for the first time photovoltaics produced close to the building should be taken into greater consideration as an option for the fulfillment of energy standards, and biomethane should also be given this option. The greater consideration of renewable energies produced close to a building does not go far enough yet. In particular, a great deal more would be possible and useful in regards to green electricity. In addition, district solutions are to be strengthened and initiated with a provision for district heating.

NEW INNOVATION CLAUSE MUST BE INTRODUCED A new innovation clause is to be introduced for an alternative requirements system which, upon application, allows equivalent fulfillment of new construction and refurbishment requirements on the basis of CO_2 emissions and an efficiency criterion. This goes hand in hand with the mandate of the Coalition Agreement to examine a switch to future requirements for CO_2 emissions. It is particularly pleasing that the new clause should apply to both residential and non-residential buildings. This was planned differently at the first attempt in the past legislative period. Here, the Federal Government has shown that it has recognized the relevance of commercial real estate in achieving the climate goals. Although the German Energy Act for Buildings is moving forward

Photo: Reinhard Tiburzy/shutterstock.com remarkably well, such efforts are missing in other areas. For example, the real estate industry has only been put off regarding the topic of depreciation of energy-efficient building refurbishment. In addition, important initiatives are lacking which could give climate protection a significant boost in the building sector. For instance, we are working to introduce a nationwide database to capture our sector's CO_2 emissions. In this way, the individual savings targets of our sector could actually become measurable. User behavior is another key and relatively low-investment factor for saving energy and CO_2 in the building sector. The share of space and hot water heating in the energy consumption of a private household is 85 percent and will continue to increase in future. Even small changes in user behavior can make a big difference here. For this reason, transparency in consumption is vital, both at the building and the housing level for individual households. In future, user behavior in energy efficiency in buildings will play an increasingly important role.

BETTER PORTFOLIOMANAGEMENT IS NEEDED The state would not even have to provide funding for this, as the technology is already available. Moreover, a portfolio management in the sense of a portfolio approach should be enabled. Instead of spending a lot of time and effort on a minimum amount of CO2 saved by the individual property, more CO2 can be saved by using a relatively lower amount of energy in relation to the real estate portfolio. In other words, similar to the fleet consumption in the car industry, the building owner is able to reduce the emissions of greenhouse gases as much as possible by using the least possible funds. So far, this cannot be recorded in the balance sheet.

Of course, these are just a few of the demands that we have as the real estate industry. We will do our utmost to improve the political environment in our industry in order to promote the turnaround in energy policy in the construction sector. Not only does this make economic sense, above all it benefits society. After all, environmental protection is one of the most important challenges of our time. And we as one of the largest industries in Germany must continue to lead by example – and namely throughout Europe. «

Thomas Zinnöcker, Vice President of ZIA Germany Property Association and CEO of ista

Industrial Assets Becoming Increasingly Favorable

Alternative investment opportunities, such as industrial and logistic assets, are gaining the focus of national and international investors. This benefits not only the top German investment markets.

General conditions remain consistently favorable for investors in Germany, promising stability, low interest rates and rising rents. However, due to a lack of supply on the German commercial real estate market, particularly in prime locations, combined with ongoing pressure to invest, investors are being forced to consider alternative investment opportunities. The market share generated by light industrial assets has increased notably in past months and industrial assets have performed particularly well in 2018. We have been seeing investor sentiment towards this asset class becoming increasingly favorable over the past two years.

TWO HIGH-VOLUME LIGHT-INDUSTRIAL PORTFOLIOS CHANGED HANDS IN 2018 In 2018, two high-volume light-industrial portfolios, which went for over €1bn combined, were recorded. Helaba Invest announced the takeover of the Beos Corporate Real Estate Fund Germany I, comprised of 21 corporate assets. The “Optimus Prime” portfolio is characterized by the high quality of its assets, which are located in top investment markets such as Berlin, Hanover, Hamburg, Baden-Württemberg and Munich. Another major deal of this kind was sold by Aurelis Real Estate. Beos took over the “Laetitia portfolio” comprised of 32 corporate assets with a total volume of €600 m.

Corporate assets and commercial parks in particular are becoming increasingly popular. On the one hand, this trend can be traced back to the fact that risk-averse investors are attracted to this asset class as well. These investors consider corporate assets a sustainable investment because they serve as the production basis of Germany’s solid, crisis-resistant small and medium-sized enterprises sector. The strong cash inflow being dedicated to the newly issued Beos fund mentioned above is a good indication of this trend. On the other hand, shortage of supply and pressure to invest are forcing investors to turn away from more established asset classes and look to alternative options. Although this asset class is relatively management-intensive, net yields have traditionally remained stable, even during times of crisis. Investors also appreciate the above-average upside potential compared to traditional asset classes. In light of all these factors, we are definitely seeing a shift in the types of assets being targeted by traditional core investors.

FOREIGN INVESTORS FAVOR PORTFOLIO DEALS Foreign investors appreciate German real estate and are attracted by current market perspectives. They are particularly interested in large portfolios, which offer fast market entry and broad risk diversification. This segment, however, is currently lacking in investment opportunities due to

a general shortage of supply on the market, making investors more willing to consider riskier investments. Locations outside the Big 7 investment hubs and vacancies are no longer taboo for investors, increasing the range of possible investment products. Smaller warehouse and logistics properties, particularly in city locations, are also getting more attention from investors due to the increasing importance of city logistics and amenities.

HIGHER RENTS FOR NEW DEVELOPED SPACE

However, space is scarce in the top locations. The lack of available development sites and existing space in major German cities is triggering a rethink in land acquisition. Above all, brownfield developments are a good way to create space and are increasingly arousing the interest of users and project developers. In addition, it can be observed that project developers for new construction developments are strongly increasing rents - and not only in the top locations. This is due in particular to the rapidly rising construction costs in Germany and the overloading of general contractors, which have an impact on rents and ensure that rents show double-digit growth rates.

Gross prime yields for logistics assets in the Big 7 investment hubs are currently recorded at a low but stable 4.65%. The current market situation points to a possible downward trend in terms of gross prime yields within the coming months, assuming more core assets are added to the market in these cities. Depending on the lease length, yields could therefore fall by up to 40 basis points again.

PRIME YIELD COMPRESSION CONTINUES

However, established logistics regions, such as Hanover, Bremen, Karlsruhe and the Nuremberg and Ruhr regions, are benefiting from limited supply in the Big 7 and particularly attracting interest from foreign investors with purchase prices increasing to match to those seen in Hamburg, Berlin and Munich. Gross prime yields for logistics assets outside the Big 7 dropped by 60 bps from 5.3% to 4.7% year-over-year.

Increased demand has also pushed gross prime yields for industrial assets in good locations down to 5.7%. Industrial portfolios are beginning to dominate the German commercial real estate market, putting further pressure on yields. However, the market is suffering from a lack of new-build space as well as large real estate portfolios to spur the market and enable new record results. «

Hubert Reck, Head of Industrial & Logistics Investment, Colliers International

"Shortage of supply and pressure to invest are forcing investors to turn away from more established asset classes and look to alternative options."

Hubert Reck, Head of Industrial & Logistics Investment, Colliers International

Logistic assets are yielding low but stable yields.

Photos: Worldpics/shutterstock.com; Colliers

A New Level of Intensity in Data Partnerships

Established real estate companies have long taken a critical view of innovative PropTechs. But a transformation has been observed in the meantime: the willingness to cooperate has increased markedly – this could result in interesting business models.

Many founders in the PropTech segment do not have a background in real estate. PropTech companies are always technology-driven. And, the financing of startups in the real estate field is becoming more professional and more substantial. These three short and concise sentences already aptly describe the German-speaking PropTech scene at the beginning of 2019. And yet, that's not the whole truth. A fourth sentence is missing: The cooperation between tech companies, on one hand, and established companies, on the other, has reached a new level of maturity and quality. This realization is the most important of all. Because it is the prerequisite to successfully creating a digitized, sustainable real estate industry.

RETHINKING IS UNDERWAY Never before has the digital transformation in the real estate industry been as important as it is today. One significant indicator of this is the increasingly strong level of investment activity of established players – above all the large corporates – in the field of digital business models. While the involvement of venture capital investors in the PropTech segment has risen steadily since 2016, corporates have also been significantly more involved in PropTechs since 2018, and not just financially, but also in terms of content. This is the crucial point that makes it more obvious than any other that a rethinking – one could almost talk of cultural change – is underway. Established companies are beginning to realize that digitization provides them with an opportunity to shape their own future and that of the industry as a whole. They are prepared to contribute capital, as well as their know-how and datasets, to further develop their products or services together with tech companies. The financing market is becoming subsequently more professional.

GREAT OPPORTUNITIES AND POTENTIAL We currently have 527 PropTechs based in Germany, Austria and Switzerland in our database. According to the most recent KfW Startup Monitor, although the total number of business startups in Germany has been declining since 2016 due to the good economy and labor market situation, the number of digital startups has risen slightly recently. The PropTech segment is also bucking the overall trend: there has been a stable development since 2016. Three years after the introduction of the so-called ordering principle, where whoever commissions a real estate agent must also pay their commission, many startups still see the great opportunities and potential offered by the real estate industry.

Most PropTechs are active in the areas of "Brokerage" and "Administration"; at currently 30 and 16 percent, respectively, this clear distribution, however, which is still based on the ordering principle, will change in the foreseeable future. Up to now, innovations were found primarily in new digital business models which addressed and solved inefficiencies in accepted processes. Examples include digital real estate agent or brokerage platforms, such as Maklaro, McMakler or Homeday, which have now become an integral part of the real estate industry. This will not be achieved by every PropTech in the categories of "Brokerage" and "Administration". In the foreseeable future, one can instead expect a wave of adjustment. Many of the PropTechs launched in 2015 as part of the introduction of the ordering principle raised capital at the time from business angels. In order to scale further after the first few years on the market, however, they will need much more and in a timely manner. They will now be required to also convince venture capital investors of their business models and to gain customers in sufficient numbers. Only the best will succeed at this.

INCREASING ATTENTION AND IMPORTANCE In future, it will be technologies above all else that drive innovation in the real estate industry. Artificial intelligence, blockchain and sensors in the area of Internet of Things are gaining increasing attention and importance. Already today, roughly 18 percent of PropTech founders have a background in IT. It is obvious that startups are occupying and covering the areas that correspond to their core competencies. As opposed to the "Brokerage" and "Administration" categories, in which pure software or web applications make it relatively quick and easy to increase efficiency, the barriers to entry in the segments "In-

The cooperation between tech companies, on one hand, and established companies, on the other, has reached a new level of maturity and quality.

Photo: paper_Owl/shutterstock.com

ternet of Things" or "Artificial Intelligence" have been clearly higher thus far. This is where the innovations only begin to take effect when the comprehensive homework has been done and a high-quality dataset has been built up. This depends to a great extent on whether the applied technology – such as artificial intelligence – can provide added value. However, for a long time it has been difficult for PropTechs to access the necessary data. Because it is the corporates that own the data and thus hold the relevant information.
Despite growing transformation pressures, two years ago companies were still unwilling to share their data with others. The concern that third parties could benefit from it was much too great. At this point, the importance of increasing strategic participations, such as that of Patrizia Immobilien AG at the Artificial Intelligence specialist PropTech Evana or that of Deutsche Wohnen at the provider of digital floor plan recognition VR, now becomes clear. Although the cultural change is far from complete, the willingness to share knowledge and to develop new solutions by linking the "tech" and the "prop" expertise to their own benefit and in the interests of the entire industry has grown significantly.

ENTER INTO INTENSE BIG DATA PARTNERSHIPS Among other things, the close cooperation with leading industry players has enabled numerous tech companies to build up comprehensive datasets. The business models based upon them are quite diverse.

The PropTech realxdata, for example, which recently entered into a strategic partnership with Kintyre Investments through its newly established subsidiary Kintyre DS GmbH, is able to compare data from the existing inventory properties of the users with market data at the push of a button. Where real estate companies previously had to selectively evaluate inventory data and, when in doubt, manually merge it with incomplete market information, now the information is linked together to a much greater depth and breadth. As a result, this increases added value which would otherwise not be achieved through conventional means. The company 21st Real Estate, which became a strategic partner of Berlin Hyp in October, in turn offers the basis for making decisions based on machine-learning algorithms that evaluate millions of data, in order to assess the potential of investment properties. And the data room provider Architrave – already a strategic partner of Union Investment in 2017 – uses artificial intelligence to automatically identify and classify relevant information, for example, for individual transactions.

The intent of all of these approaches is to exploit the potential of Big Data. However, the established companies are unable to utilize their wealth of data on their own. What we are currently observing is a newfound willingness to enter into intensive data partnerships. The PropTech companies can now show just how accurate the technologies used are and that they actually make it possible to increase efficiency. And this development is only just the beginning. Now it's going to get really exciting. «

Alexander Ubach-Utermöhl, Frankfurt/Main

AUTHOR

Alexander Ubach-Utermöhl is a Managing Partner of blackprintpartners GmbH and the European accelerator blackprint PropTech Boosters.

"Land Ahoy!" for Investors

German hotels in major cities are some of the most popular real estate investments. However, suitable properties are rare. Holiday hotels represent an interesting alternative. Investors have tended not to focus on these properties to date – but this could change soon, as the hotels are now offering the prospect of stable yields thanks to modern concepts.

"The scarcity of products in the top seven locations, which is accompanied by rising prices, means that investors are starting to focus not only on B and C locations, but increasingly also on holiday hotels."

Volker Ottenströer, Head of the Hamburg Region, Wüest Partner Germany

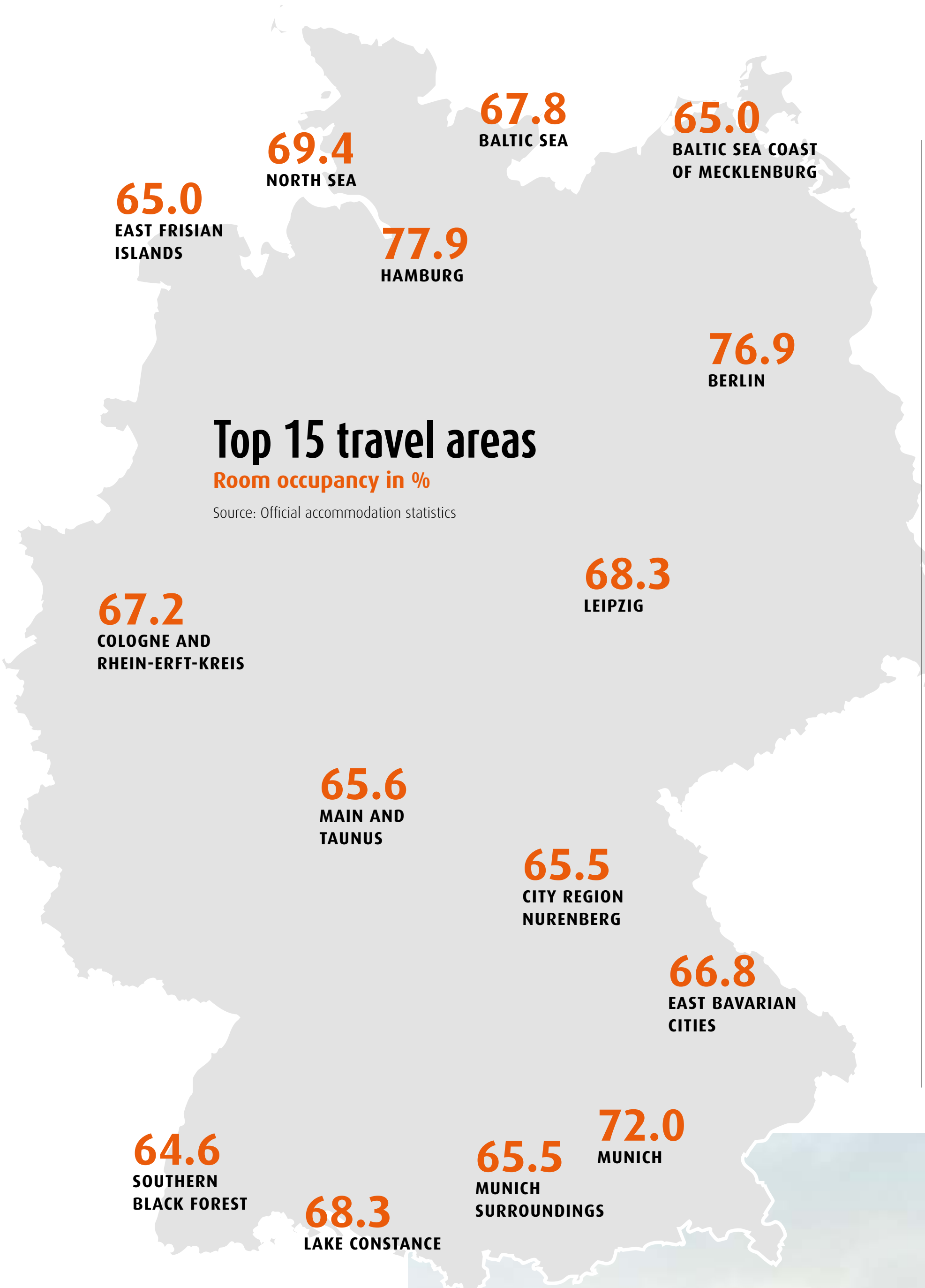
Interest in the German hotel property market is high. However, the lack of available properties means the transaction volume is stagnating or even declining slightly. The latest figures published by BNP Paribas show a lower volume than in the previous year, with the number of individual sales approaching record levels but portfolio sales continuing to decline in response to a lack of availability. The scarcity of products in the top seven locations, which is accompanied by rising prices, means that investors are starting to focus not only on B and C locations, but increasingly also on holiday hotels.

However, the transaction data shows that investments in holiday hotels are not booming just yet. Deals involving traditional holiday hotels remain extremely limited compared with business hotels, with well under ten percent of hotel transactions in each of the last two years involving resorts and holiday hotels. From an investor perspective, holiday hotels often stack up poorly against their city counterparts due to a lack of investment-ready products, professional structures and familiar brands or chains with their own marketing strength.

However, the move towards higher standards has now begun, with professional players entering the market. For example, a-ja Resorts is positioning itself as a popular brand thanks to its coherent concepts and leisure expertise. The establishment of additional successful chains in the holiday hotel sector is expected to continue, resulting in more and more hotel products worth investing in beyond the traditional business hotel sector.

PERFORMANCE COMPARISON Holiday hotels are aimed at leisure tourists staying for longer periods of time. The proportion of guests at holiday resorts who cite leisure as their motivation for visiting is often as high as 90 percent. As such, holiday hotels typically offer full-board packages as well as wellness and sport facilities. The double occupancy factor for holiday hotels is considerably higher than for business hotels. As a result, holiday hotels generate significantly higher additional revenue than business hotels. This is further supplemented by external guests using the catering and leisure facilities. Although the net room revenue for holiday hotels is typically lower than for their business counterparts, additional food and drink and wellness services mean the TRevPAR performance metric for holiday hotels frequently reaches €100 compared with €80 for business hotels.

CONCEPTS FOR SUCCESS With their clear focus on leisure, traditional holiday hotels are less affected by economic cycles than city and business hotels. However, the pronounced seasonality of the segment means higher volatility in terms of room occupancy and revenue. Modern resort concepts can help to offset these fluctuations outside of the main holiday season. Thanks to a dedicated leisure in-



frastructure, concepts like these generate additional visits in their own right, thereby making a hotel somewhat less dependent on the development of the respective tourism region. In addition to services that can be booked individually, hotels with their own facilities that are not affected by the weather can see more balanced occupancy rates. In particular, wellness or sauna facilities with treatments, fitness suites, hiking and climbing are all features that can extend the season for a holiday hotel. Partnerships with local leisure providers and openly accessible concepts also serve to increase the attractiveness of the leisure infrastructure in the area as a whole. In contrast to closed concepts, this can therefore generate additional demand from residents and the local tourist market.

LOCATION IS EVERYTHING "Location, location, location" is a phrase that very much also applies to holiday hotels. Attractiveness to tourists and the regional room occupancy of a holiday region have a significant impact on a hotel's business success, and hence on rental sustainability.

One key figure is regional bed or room occupancy. For example, a 2016 comparison of bed occupancy at seaside hotels showed that holiday properties located on the coast had occupancy of 54.6 »

Hambug's hotel have the best room occupancy of all travel areas in Germany.

Photos: Siarhei Tsesliuk; Alan Budman/shutterstock.com percent, compared with just 44.7 percent for properties not located on the coast. According to the official accommodation statistics for Germany, over half of the top 15 travel areas with the highest room occupancy can be found in typical holiday regions.

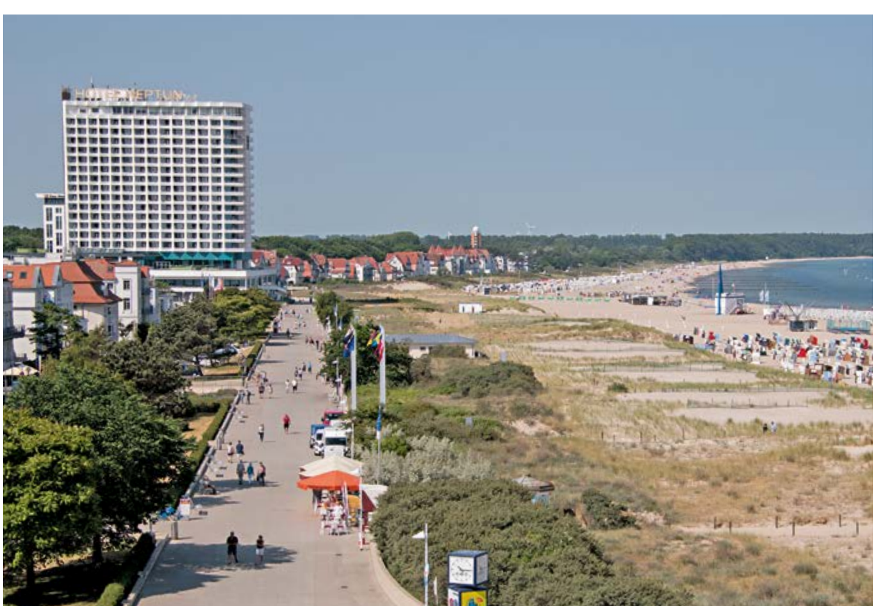
In terms of individual hotels, for example, the industry journal "Allgemeine Hotel- und Gastronomie-Zeitung" (AHGZ) found that Center Parcs Bispinger Heide had occupancy of around 81 percent in 2018, the same level as the Maritim Düsseldorf. Similarly strong occupancy rates were recorded by Hotel Neptun in Warnemünde (79 percent) and Schloss Elmau Luxury Spa & Cultural Hideaway in Elmau (75 percent). To put these figures into perspective, the occupancy rate in Thüringer Rhön was 34.5 percent while the rate for Niederlausitz was 37.9 percent.

TABLE ACCORDING TO THE AHGZ RANKING FOR 2018

According to the AHGZ ranking for 2018, some of the most popular holiday resorts recorded the following occupancy rates and annual revenue per room in 2017

Hotel	Average occupancy	Net annual revenue per room (in EUR)
Hotel Bareiss im Schwarzwald, Baiersbronn	59.0%	234,343
Schloss Elmau Luxury Spa & Cultural Hideaway, Elmau	75.0%	201,852
Sport- und Kurhotel Sonnenalp, Ofterschwang	64.6%	173,684
Hotel Neptun, Warnemünde	78.8%	81,953
Yachthafenresidenz Hohe Düne, Rostock Warnemünde	56.0%	77,717
Hotel & Sportresort Fleesensee	59.2%	56,842
Center Parcs Bispinger Heide	80.9%	48,267
Center Parcs Bungalowpark Hochsauerland, Medebach	72.0%	34,214
Ferienpark Weissenhäuser Strand, Weissenhäuser Strand	60.0%	33,390

Source: Allgemeine Hotel und Gastronomie-Zeitung, AHGZ ranking of the 200 hotels in Germany with the highest revenue



Hotel Neptun on the Baltic Sea is one of Germany's most popular holiday resorts.

SPOTLIGHT ON YIELDS Low availability and rising purchase prices mean that yields in the hotel segment are continuing to fall, particularly in big cities. According to an analysis by Real Capital Analytics (covering 2017 until the second quarter of 2018), the average purchase price in the top eight cities is around €210,000 per room. The gross yield for modern hotels is around 4.5 percent, with a prime yield of 4.0 percent. Purchase prices in B and C locations, smaller cities and holiday regions are considerably lower at around €140,000 per room.

The (prime) yield differential between the top locations and extremely good B locations can be estimated at 50 to 100 basis points, while the average yield for a well-positioned holiday hotel is around 100 basis points above its city counterpart. And with bed capacity in the major cities rising significantly, this does not necessarily go hand in hand with a heightened location risk.

The market is changing. Now what counts is finding a suitable investment with an experienced operator. When looked at more closely, (holiday) regions outside of the major cities offer excellent market conditions for hotel property developers and investors. «

Volker Ottenströer, Head of the Hamburg Region, Wüest Partner Germany

The penthouse of Yoo Berlin, inspired by Starck. Yoo is a residential and hotel design company which was founded in 1999 by property entrepreneur John Hitchcox and the designer Philippe Starck.

Branded Residences – The Power of Brand Identification

The branded residence concept first emerged in 1920s Manhattan and the sector has been expanding ever since. Over the last few years, there has been a rapid rise in the number of branded residences. But how does luxury hotel branding affect the value of a property?

Brands move people. According to a survey conducted by a youth research institute, children as young as three and four years old already recognize the logos of Milka, Coca Cola and McDonald's. Luxury brands, such as Louis Vuitton and Chanel, enjoy instant recognition all over the world. Brands play a role in almost every area of our lives. And when it comes to living and lifestyles, it is not just financial aspects, but emotions, expectations and identity that determine how and where we want to live.

It is precisely these elements that build the strong brands that exemplify the identity and lifestyle of their customers. A brand is a promise of quality, so it is not surprising that branded residences have been attracting renewed interest for some time now, even though the market is less well developed in Europe.

THE CONCEPT What exactly are branded residences? In a traditional sense, they are hotels with integrated or linked residential units, allowing condominium owners to benefit from the quality of a leading hotel brand, outstanding design and service, and professional property management services. Branded residences combine the ambience of a luxurious condominium with the amenities of a world-class hotel. Udo Lindenberg has been living at the Hotel Atlantic in Hamburg for more than 20 years, and Coco Chanel spent 37 years at the Ritz Hotel in Paris.

The association with a hotel brand can be manifested in a variety of forms: Hotel-led developments with directly integrated apartments, luxury resorts with apartments for holiday rentals, residential complexes with apartments managed by a hotel, and developments with separate hotels and residences. As the sector has evolved, a broader definition of the concept has emerged. Ultimately, any brand could, in theory, lend its name and image to the branding of a property. For example, luxury car and fashion companies, such as Bulgari, Versace, Moschino, Armani, Mercedes, Porsche and Aston Martin, have all been associated with branded residences. The Porsche Design Tower in Miami is just one such example. »

Photos: Jones Lang LaSalle Residential Development

The world's top designers and architects have also licensed their names and design talents to branded residences, including Daniel Libeskind's Złota 44 in Warsaw and Verve in Frankfurt. It seems highly likely that the concept will be extended to other fashionable brands. At present, however, the sector is largely driven by hotel brands and, according to Chris Graham of Graham Associates, there are currently more than 400 branded residences around the world, a majority of which are hotel branded. Nevertheless, the sector's strong growth has attracted a host of other brands. One of the branded residences sector's leading companies is Yoo, which has a portfolio of around 80 projects worldwide and has engaged top designers such as Philippe Starck, Jade Jagger and Kelly Hoppen. Yoo has residences in three major German cities: Berlin, Hamburg and Munich.

A BRIEF HISTORY OF BRANDED RESIDENCES A glance at the history of the branded residences concept reveals that this is by no means a new phenomenon. The world's first branded residence, the Sherry Netherland Hotel, opened in 1927 on New York's Fifth Avenue. However, the segment did not really take off until the mid-1980s when Four Seasons proved just how successful the model could be. Today, according to the global real estate marketing company Graham Associates, Four Seasons and Ritz Carlton are among the market's leading brands. Over the last couple of decades, the segment has grown rapidly and there are now branded residences in over 60 countries worldwide. North America and Southeast Asia are the most developed markets. Europe accounts for just under 10 percent of global branded residences, a clear signal that there is significant growth potential.

A WIN-WIN SITUATION FOR DEVELOPERS AND CONDOMINIUM BUYERS For developers, the concept of branded residences offers several advantages. Branding is a key differential in satisfying wealthy customers' ever more sophisticated requirements for unique design, lifestyle and identity. A positive brand identity and enhanced emotional value also leads to faster sales. According to Graham Associates, condominiums in branded residences sell up to 30 percent faster than their unbranded competitors. There are also major synergy effects between developers and hotel operators in terms of interior design, amenities and service.

Buyers also appreciate the clear benefits of higher resale values, outstanding service, exceptional design, prime locations, professional management and the prestige associated with the brand.

They are attracted to branded residences because the brand represents certain quality standards in terms of security, service and furnishings. For wealthy global citizens, time is a precious commodity, which is why they appreciate the added convenience of services and amenities,

Another example of branded residences: Verve – Architecture by Daniel Libeskind, located in Frankfurt am Main

"A positive brand identity and enhanced emotional value leads to faster sales."

Thomas Zabel, Head of JLL Residential Devolopment Germany"

such as a concierge, a cleaning service, a spa or a wine cellar. For the younger generation, it is important that branded residences offer a well-rounded experience. They might be more likely to buy if there is an exclusive night club or a star restaurant in the building. Many hotel operators also offer rental services, which means that buyers of branded residences in resort regions benefit from low vacancy rates and higher yields.

FACTORS TO CONSIDER Ultimately, there are certain risks associated with branded residences. If a brand's image is compromised, for example because it falls out of favor or is involved in scandals, this can drive down the value of residences that bear the brand's name. One recent example of this phenomenon involves Donald Trump, whose name was and is linked to numerous properties. After his election, the value of his branded residences fell. According to the New York Times, some of his tenants even launched a petition calling for the Trump name to be removed from their building.

Of course, the branded residence concept involves more than simply associating any residential property with any brand. The chosen brand really needs to embody the lifestyle and demographic profile of the desired buyer. When selecting or designing a brand, it is important that the brand is striking and clearly positioned. Of course, the property's location still plays a major role. Branded residences are predominantly located in large metropolises or resort destinations by the sea or in the mountains. Other factors, such as the economy and local competition, also need to be considered.

PRICE PREMIUMS FOR BRANDED RESIDENCES According to Graham Associates, branded residences can command price premiums of up to 30 percent over comparable non-branded properties. It is therefore not all surprising that branded residences are one of the fastest growing real estate asset classes. A good example is Burj Khalifa in Dubai, where an Armani residence trades with a premium of up to 30 percent compared to a similar sized apartment in the tower that does not carry the Armani brand. Branded residences at the Dubai Creek project, which is located on an estuary of the Persian Gulf, have achieved a premium of up to 100 percent ahead of comparable unbranded apartments.

In markets where demand is already very strong and property standards are already very high, such as London or New York, branding has little effect. There have even been a small number of branded residences where branding has not achieved any price uplift.

With Yoo in Berlin, Hamburg and Munich, Verve by Libeskind in Frankfurt and Eisenzahn 1 in Berlin, designed by the Italian luxury brand Bottega Veneta, there are already several branded residences in Germany. Growth in the sector shows little sign of abating and an increasing number of developers have exciting new developments in the pipeline. «

Thomas Zabel, Head of JLL Residential Development Germany

A Date with the Future

Where to go with one's money? International real estate investors are coming together at this anniversary edition of the fair in Cannes

For four days from 12 to 15 March 2019, MIPIM is opening its gates at the Palais des Festivals, 1 Boulevard de la Croisette, 06400 Cannes, France. Yesterday and today, the goals of the fair organizers are still the same. For this international investor fair, which is taking place for the 30th time, growth also means more real estate topics, more internationality, and more exhibitors than paying fair visitors.

Over 26,000 participants, of which 341 exhibitors and visitors last year from Germany, this is the minimum goal for this year. The organizers of MIPIM including Director Ronan Vespart want nothing less than to claim the future. "Engaging the Future" as the motto of the fair, particularly in 2019, means that we should also keep an eye on the geopolitical uncertainties which everyone involved in this sector should not underestimate – today and in the coming 30 years.

Germany is the third strongest represented country at MIPIM, after the U.K., with the highest population density and the strongest trade fair presence, followed by France. The entire value chain around office and commercial real estate is represented. Ronan Vespart once again calls digital innovation, prop tech and sustainability important topics for the 30th edition of the fair. In particular, environmental sustainability will be a key issue at MIPIM 2019. High energy prices, climate change and new government regulations are actively changing traditional industrial platforms and practices. According to Vespart, the podium participants will analyze in the discourse how the real estate industry is changing as a result of these factors and discuss strategic adjustments and investments in the future. In addition, it will deal with disruptive technologies, such as virtual reality, artificial intelligence and big data, and how real estate management and profitability can be optimized in the digital age.

What new trade fair formats have organizers come up with? New this year, according to Vespart, is the Young Leader Summit. This will be a cross-generational discussion based on the results of a public consultation campaign by Make.org and aimed at providing an insight into the city of the future.

GERMANY IS ONCE AGAIN THE "SAFE HAVEN" According to Thomas Beyerle, most investors are well aware of the fact that only a good mix within a building or even a city district makes (socio-) economic sense over the medium to long term. In light of vibrant cities there is still a need to catch up; health care, service apartments, micro-living and residential towers are fitting keywords, according to the Managing Director of the Swedish Catella Property Valuation GmbH and Head of Group Research in the Catella Group. As a specialist for real estate investments, fund management and banking, they will be represented by over 100 employees in Cannes.

According to Beyerle, Germany in general is still undervalued worldwide as a market for real estate investors. Beyerle expects an even stronger focus on the topic of urban structures in the city. Meanwhile, the next growth cycle will continue in 2019; despite many forecasts that the boom phase is over, Beyerle is convinced that the real estate business will remain good.

"In terms of total investment, which includes all asset classes, German cities are still among the most sought after in Europe," says Vespart, naming Berlin, Frankfurt, Hamburg, and Munich as the current "Top 10" of European investment goals.

What are the real challenges to be faced in the new year? There are increasing signs pointing to a turnaround in the long real estate cycle. How do the players in the real estate industry need to position themselves to ensure sustainable

Germany is the third strongest represented country at MIPIM, after the U.K. and France. The entire value chain around office and commercial real estate is represented.

growth beyond a possible correction in the commercial real estate markets? A central question that, according to Nikolai Dëus-von Homeyer, Managing Partner at NAS Invest, must be answered at MIPIM 2019. Because even in a more complex and uncertain market environment, there are still interesting investment opportunities beyond the price rally and yield compression.

"We want to use the fair to maintain and expand our network. Particularly in a demanding market environment, personal contacts are key to securing new deals," an important part of the answer, says Dëus-von Homeyer.

Investors, in fact, must position themselves even more clearly in an increasingly complex environment and factor in the rent increase potential of a property. Particularly the latter will become the main determinant in future. The capital value of a property will increasingly need to be valued based on factors such as digital building infrastructure or flexible use of space.

"Brexit, volatile stock markets, the looming interest rate increase, and geopolitical tensions are many good reasons to place this year's MIPIM under the motto of "Engaging the Future," says Vincent Frommel, Head of Fund Management | Finance of BMO Real Estate Partners Germany. Perhaps even more than before, the real estate industry must deal with global and socio-political issues, trends and developments and the resulting risks. In a late cyclical market environment, signs of a possible economic downturn are in contrast to long-term megatrends such as digitization and urbanization. His colleague and the Head of Investment at BMO, Thomas Hübner, expects increased attention on the management of risks in the current fiscal year, particularly in light of increasing political risks. Not least for this reason, the question at the center of this year's MIPIM is how players in the real estate industry can generate sustainable growth at the end of the long boom cycle. In Hübner's opinion, the future belongs to flexibly used, adaptable buildings that meet digital and sustainable criteria.

"The content and topics are shaped by the real estate cycle – and by personal contacts that cannot be replaced by online conferences," explains fund manager Ole Sichter, Head of Transactions Germany at Principal Real Estate Europe. Thomas Beyerle speaks casually of the "Nasenthematik", describing the personal exchange as a confidence-building measure.

LOGISTICS STRENGTHENED, ALTERNATIVE ASSETS IN DEMAND For Sichter, Germany will remain one of investors' favorite locations in 2019 as well, however, in his opinion in addition to Berlin, so-called "secondaries" are increasingly moving into focus in light of returns. In addition to classic office properties, the topic of local supply to cover basic needs is also gaining importance and thus corresponding retail properties. According to Sichter, healthcare properties remain interesting investment properties due to the changing demographics. The rising share of e-commerce will also guarantee that interest in logistics properties will continue to rise.

The fair organizers are of a similar opinion, because as part of the new fair formats there will be a rather targeted focus on the market for logistics properties (see the interview with Ronan Vespart).

The RE Allocate Summit is also brand new this year in Cannes. It is being organized in conjunction with the RE Invest Summit, an event that was first organized eight years ago for thought management, bringing leading institutional investors together. The new summit is dedicated to institutional family offices and other capital owners.

For the fourth time in a row, companies will also be presented at MIPIM as part of the MIPIM Startup Competition in cooperation with global technology partner MetaProp NYC. This year a jury will be selecting three winners from among six companies. After all, "millennials" as the generation of the sharing economy and decision makers of tomorrow should be given special attention. Of course, there will also a be a reunion with exhibitors from previous years, cities and regions »

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According to Matthias Pink, Head of Research Germany at Savills, the transaction volume in the German commercial real estate market in 2019 should still approach the 50 billion euro mark.

Photos: S. CHAMPEAUX, S. d'HALLOY/MIPIM

as an anchor, such as Hamburg, Munich, Dusseldorf, Berlin-Brandenburg, Nuremberg or Stuttgart as well as metropolitan regions such as Rhine-Neckar and North Rhine-Westphalia, will be represented with their own booths or by combining their activities, for example in the German Pavilion for Regions & Cities. Continental AG and Taurus Investment, together with Mayor Stefan Schostok, will act as partners for sustainable investments in their new locations in Hanover. In a panel discussion on Thursday, 14 March, at 2:00 p.m., they will discuss "Light Industry and Other Sustainable Approaches". Leipzig's mayor Burkhard Jung will present a disruptive project at MIPIM.

BREMEN WITH ITS MAJOR DOWNTOWN PROJECT Following an absence of several years, old, yet new (surprise) guests will be present once again at the Croisette. The small state of Bremen is back in the German Pavilion after being gone for 16 years. The issue at hand for the metropolitan region on the Weser River is investments in the billions and nothing less than the reinvention of the downtown district, one mile between the City Wall and the Weser River. The marketers playing a leading role include the Hanseatic citizens and top dogs on the Weser, Jens Lütjen, owner of the consulting firm Robert C. Spies, Joachim Linnemann, Managing Director of Justus Grosse and, last but not least, with the international real estate company and permanent exhibitor in Cannes, Kurt Zech topping the list. All were born in Bremen and will be very deliberately waving the state's flag, colloquially known as the "Speckflagge" (bacon flag).

Because of their polycentric economic structure, smaller cities or medium-sized towns, where SMEs with good credit ratings are based, are also benefiting from digitalization and the like. They were already one of the main drivers of demand for space in 2018, and the continuing high number of rental requests suggests that this will remain the case in the coming year. Attractive properties can still be identified with the necessary knowledge of the local market and an understanding of long-term growth drivers that determine the potential for rent increases. MIPIM 2019 is an important barometer of public opinion in this market environment.

"How do the players in the real estate industry need to position themselves to ensure sustainable growth beyond a possible correction in the commercial real estate markets?"

Nikolai Dëus-von Homeyer,
Managing Partner at NAS Invest

Even young asset classes, such as co-living, are emerging. MEDICI LIVING Group, Europe's leading co-living provider, and CORESTATE Capital Holding S.A. (CORESTATE), one of the largest real estate investment managers in Europe, have agreed on a Europe-wide cooperation in the co-living segment, in which one billion euros will be invested over the next three to five years. The target group of this form of housing, derived from co-working, is primarily young professionals. The focus is on cities with over 500,000 inhabitants and on properties with an investment volume of between 20 and 60 million euros.

Dr. Michael Bütter, CEO of CORESTATE: "Urbanization, the desire of young persons for a sense of community and openness to live and work in various metropolitan areas, is causing demand for living space used collectively to rise steadily. Investments in the co-living segment are characterized by the low risk profile of residential properties combined with higher expected returns."

HOW TO OFFSET THE LACK OF CORE PROPERTIES? "The unstoppable development of modern technologies will have an even greater impact on the real estate industry than ever before," says Guido Nabben, spokesman for German Property Partners (GPP). Apart from the topics of the conference program, the managing partner of Anteon in Dusseldorf expects that "manage-to-core" or even "build-to-core" strategies will be a popular topic of discussion at MIPIM. After all, market participants must figure out ways to offset the lack of core properties. However, these require extensive know-how as well as a willingness to implement complex projects.

It's been a while since the time when everything was being snapped up; the growth path has lost some momentum since the record year of 2018 and in spite of a slight tailwind in 2019. Sabine Barthauer, Member of the Board of Deutsche Hypo, remains cautiously optimistic. "The mood and discussions at MIPIM will surely be a good indication of whether the commercial real estate market in Germany can once again expect another year with a transaction volume above 50 billion euros."

The picture of the German real estate market as a safe haven remains intact. As a result, institutional investors will continue to channel their "wall of money" into sub-markets, such as Frankfurt or Berlin, and this will generate positive impetus there. In addition, regardless of the recent increase in prime rents for commercial properties in the top 7 locations, they are still in the middle range in an international comparison.

BERLIN AND AFFORDABLE HOUSING The Berlin ambience is perfect; the booth of the joint stand (P4.C10) is located on the 4th floor of the Palais des Festivals and

Photo: NAS Invest

with its attractive terrace offers uninterrupted views of the old port of Cannes and the Croisette. There, as in the previous year, Katrin Lompscher (Linke party) as the Senator for Urban Development and Housing is expected to focus on the subject of "affordable housing". There will also be 23 participants, including major investors and developers such as the Groth Group (project "Wohnen am KunstCampus"), Pandion AG, CG Group and large public and private housing companies.

In addition to Technologiepark Adlershof, major projects include the Quartier Heidestrasse, north of Berlin's Central Station, where a lively new district with residential and office buildings, commercial properties, public streets and squares, as well as green spaces will be developed on approx. 268,000 sqm.

There are a few changes to report from Hamburg compared to 2018. Senator for Construction Dorothea Stapelfeldt has again announced her attendance. A new customer and participant in the MIPIM award has also registered. It will be interesting to see how the former HSH will now be presenting itself as Hamburg Commercial Bank on an international level. Under the leadership of NRW.INVEST, this year the booth partners include the cities of Aachen, Bochum, Bonn, Dortmund, Düsseldorf, Duisburg, Essen, Cologne, Mönchengladbach, Oberhausen, the Ruhr business metropolis, the Rhineland metropolitan region as well as roughly 30 companies from the real estate industry. People centration is the catchword for the transaction team of Commerz Real from Wiesbaden. The property managers of this bank subsidiary intentionally want to appear "modest". The investment focus is on major cities with inner-city districts and hotels, student housing and mixed use properties. Not deals but primarily a meeting between old and new business partners will be the main motto, says spokesman Gerd Johannsen.

At the end of 2018, Marcel Fratzscher, President of the German Institute for Economic Research, revealed his view of the future of the real estate industry on the occasion of the 60th anniversary of the Frankfurt real estate developer OFB Projektentwicklung GmbH. The German economy and, in particular, the real estate industry are currently very well positioned. Now one must create the conditions to ensure that this is still the case in 15 years. This would require, above all, investments in research and development, an advanced digital infrastructure, less state regulation and maximum level of flexibility.

In spite of all of the correctly placed worries, the German real estate industry can enter into the year 2019 confidently with its head held high, says Prof. Dr. Tobias Just of the University of Regensburg and IREBS International Real Estate Business School. There has not been a massive level of overbuilding; pent-up demand has not yet been exhausted. Even the slowdown in growth to one percent per year would not cause problems in the German labor markets. "The boom, which has lasted for years, on the German real estate market is now coming to an end," says the broker house Savills. But a decline is not to be expected. "After the forecasted all-time high of 60 billion euros for 2018, the transaction volume in the German commercial real estate market in 2019 should still approach the 50 billion euro mark," says Matthias Pink, Head of Research Germany at Savills. «

Hans-Jörg Werth, Scheeßel

The Magic 30: "Old-fashioned" Logistics Becoming More Important

Interview with **Ronan Vespart**, Director of MIPIM, about trends and innovations.

What is the main focus of MIPIM 2019? We are pleased to be celebrating MIPIM's 30th anniversary at this year's conference. The topic this year looks ahead at the next 30 years in the real estate industry and how the industry can help to create a technologically advanced, sustainable and innovative future. We are looking forward to hosting the world's leading experts from a range of industries on this topic. The real estate sector is undergoing a technological revolution. Catalysts for this transition include demographic developments, climate change and advanced technologies. The value of a building is now found in its purpose, not in its physical construction. The central theme will be examining the cohesiveness of communities and sustainability in light of future economic growth. Income streams in the real estate industry are continuing to develop rapidly in the digital age. As a result, companies and investors are changing their approach towards real estate as an investment and product service. At the fair panelists will be trying to answer key questions. What are the best strategies for long-term use, what are the best strategies to guarantee optimal quality of life and with which practices can we optimally use existing resources?

Which properties are most sought-after and has investors' search profile changed? A trend that is emerging in »

the investment sector is the fact that traditional "old-fashioned" investment classes, particularly warehouses and logistics centers, are drawing the attention of investors. There is a broad consensus that international investors are cautious, as they are weighing the risks of potential interest rate increases and geopolitical factors such as Brexit in the U.K.
In the last five years, interest in "alternative assets" has risen. This includes properties with residential elements such as university dormitories, social housing or as retirement provisions. Moreover, data centers have turned into one of the most valuable asset classes for international investors.

Will the run on logistics properties (and for city logistics) continue at MIPIM? The logistics sector is growing and developing rapidly. This development has been accelerated by online shopping and customers' desire to receive their orders as quickly as possible. While major online retailers are expanding their inventory of logistics hubs, their ultimate challenge lies in tackling the famous "last mile," actual delivery of the product to the customer's home. As a result, companies are investing in logistics warehouses that are located as close as possible to the customer, rather than relying on "mega-warehouses" that serve densely populated areas.
For MIPIM 2019, we are proud to present three new functions:

- Creation of an Advisory Board
- Conferences for logistics properties
- Matchmaking event

The Advisory Board consists of six members, recognized companies such as the American company Prologis or the British investor Gazeley. This board will meet several times a year to advise the MIPIM Logistics Asset Team. In addition, we have confirmed three attractive conferences thus far this year that will focus on the logistics market. Lastly, and this is also new in in 2019, a "Matchmaking" event will take place for the first time which will provide attendees with new business opportunities.

> "In terms of total investment, German cities are still among the most sought after in Europe."
>
> **Ronan Vespart,** Director of MIPIM

One highlight of the fair will be the "Innovation Forum". What is planned? The MIPIM Innovation Forum, aka MIF!, initiated six years ago, will be a key event at the fair. What's happening this year? Disruptive technologies, such as the internet of things, blockchain, artificial intelligence and even 3D printing, will be discussed. They represent the future of our industry, because today everything revolves around the digital transformation of real estate and the real estate market. Therefore, MIF 2019 will welcome even more participants and exhibitors than last year. Examples include Leica Geosystems, which develops measuring tools to reduce the risk in the construction industry, We Work, the collaborating company, or the supplier Sage Glass, who will present their intelligent windows.

City booths will be very present. Will even smaller cities, like Bremen, be appearing again in Cannes after a long time away? After a 16-year absence, Bremen will be returning to MIPIM. The Bremen's decision reflects a growing reality for city administrators. Real estate has become an important element in the global economy, and cities are facing two major challenges. The first is for the public and private sectors to work hand in hand to develop the cities of the future that meet the needs of the growing urban population with different lifestyles and work expectations. MIPIM provides an ideal forum for these public and private partners to discuss important issues in an international exchange.
Attracting international investment is the second challenge that cities are facing with ever-shrinking public funds. This is especially true for secondary cities. Of course, Berlin, London, Paris or Madrid are attracting further investment, but smaller cities are becoming increasingly attractive. This means that Lyon, Leeds or Munster will be vying for international investment funds at MIPIM. «

Hans-Jörg Werth, Scheeßel

MIPIM 2019
The German Companies

More than 150 German exhibitors will be present in Cannes this year. Most of them will be appearing together at joint stands of the big German cities and regions (R8.D24). Several you will find in the German Pavilion for architects (R7.G38), a joint exhibition area of German companies.

Exhibitor / Company	City	Booth number
Aachen 1a c/o Aachen	Aachen	R8.D13
Aareal Bank AG	Wiesbaden	R7.C 7
Aareal Estate AG	Wiesbaden	R7.C 7
ABG Frankfurt Holding GmbH	Frankfurt	R7.G20
Accumulata Real Estate GmbH	Munich	R7.G16
Aengevelt Immobilien GmbH & Co. KG	Dusseldorf	R7.G12
Airportpark FMO GmbH	Greven	R8.D13
Angermann Investment Advisory AG	Hamburg	R8.B20
Apcoa Parking Deutschland GmbH	Stuttgart	P4.C 1
Apoprojekt GmbH	Hamburg	R8.B20
AS Unternehmensgruppe Holding	Berlin	P4.B1
Axxus Capital SARL	Mannheim	R8.D24
BayernLB	Munich	R7.G16
Berendes & Partner Consulting GmbH	Hamburg	P-1.J50
Berlin City	Berlin	P4.C10
Berlin Hyp AG	Berlin	P4.C10
Berlinovo Immobilien Gesellschaft mbH	Berlin	P4.C10
Berlin Partner for Business and Tech	Berlin	P4.C10
Berlin Senate Department for Urban Development	Berlin	P4.C10
Berliner Volksbank EG	Berlin	P4.C10
Bienen & Partner Immobilien GmbH	Mönchengladbach	R8.D13
BIM Berliner Immobilienmanagement GmbH	Berlin	P4.C10
Blocher Partners	Stuttgart	P4.C20
Bremeninvest c/o WFB Wirtschafts-förderung Bremen GmbH	Bremen	R8.D24
Bulwiengesa AG	Berlin	R7.G38
Buisness Metropole Ruhr GmbH	Essen	R8.D13
CA IMMO Duetschland GmbH	Frankfurt	P4.C10
Catella Real Estate AG	Munich	C9
Centrum Preojektentwicklung GmbH	Dusseldorf	R7.G12
Chapman Taylor	Dusseldorf	P-1.N50
City of Cologne	Cologne	R8.D13
City of Dortmund	Dortmund	R8.D13
City of Leipzig	Leipzig	R8.D24
Colliers International	Frankfurt	P-1.M51
Commerz Real AG	Wiesbaden	R7.G20
Deutsche Pfandbriefbank AG	Unter-schleißheim	R7.G17
Diringer & Scheidel Wohn- und Gewerbebau GmbH	Mannheim	R8.D24
Dr. Schrammen Architekten BDA GmBH & Co. KG.	Mönchen-gladbach	R8.D13

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As of: January 2019. Source: www.mipim.com

Exhibitor / Company	City	Booth number
Drees & Sommer GmbH	Stuttgart	P4.C20
Drooms	Frankfurt	R7.G20
Düsseldorf & Partner	Dusseldorf	R7.G12
Duff & Phelps REAG GmbH	Frankfurt	P-1.G65
DWF Germany Rechtsanwalts-gesellschaft mbH	Berlin, Munich	P-1.G37
DZ Hyp	Hamburg	P-1.J67
E & G Real Estate GmbH	Stuttgart	P4.C20
Eike Becker_Architekten	Berlin	R7.G38
Eller + Eller Architekten GmbH	Dusseldorf	R7.G38
Epple GmbH	Heidelberg	P4.C20
Essen City c/o EWG	Essen	R8.D13
Europa-Center AG	Hamburg	R8.B20
EY (Ernst & Young Real Estate)	Eschborn	R7.D18
FAMOS Immobilien GmbH	Korschenbroich	R8.D13
FIABCI - Deutschland	Hamburg	P4-B1
Flughafen Düsseldorf Immobilien GmbH	Dusseldorf	R7.G12
Frankfurt City c/o Wirtschaftsförderung Frankfurt GmbH	Frankfurt	R7.G20
Frankfurtrheinmain GmbH	Frankfurt	R7.G20
German Pavillon: Excellence in Architecture	Ohlstadt	R7.G38
German Pavillon for Cities & Regions	Berlin	R8.D24
GLL Real Estate Partners GmbH	Munich	R7.G16
Grossmann & Berger GmbH	Hamburg	R8.B20
Hackenberger & Co. GmbH	Frankfurt	P4.C 3
Hadi Teherani Architects GmbH	Hamburg	R7.G38
Hamburg Invest	Hamburg	R8.B20
Hamburger Sparkasse AG	Hamburg	R8.B20
Hammer AG	Munich	R7.G16

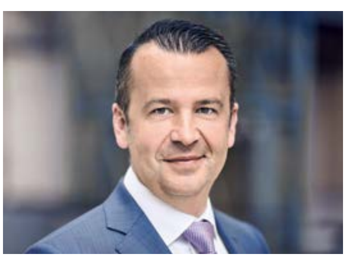
Exhibitor / Company	City	Booth number
Hannover Region Business and Empolyment Promotion	Hanover	R8.D24
Hannover City	Hanover	R8.D24
Hansainvest Real Assets GmbH	Hamburg	R8.B20
Harpen Immobilen GmbH	Dortmund	R8.D13
HB Reavis Germany GmbH	Berlin	P4.C10
Heitman	Frankfurt	C15
Helaba Landesbank Hessen-Thueringen	Frankfurt	R7.G20
Hypzert GmbH	Berlin	R7.G38
immopac	Dusseldorf	R7.G 1
Industrieterrains Düsseldorf Reisholz AG	Dusseldorf	R7.G12
Intreal International Real Estate KVGmbH	Hamburg	R8.B20
Invest Region Leipzig	Leipzig	R8.D24
Investa Holding GmbH	Munich	R7.G16
Investitionsbank Berlin	Berlin	P4.C10
IPH Handelsimmobilien GmbH	Munich	R7.G38
J. Mayer H. und Partner, Architekten	Berlin	R7.G38
Justus Grosse Projektentwicklung GmbH	Bremen	R8.D24
Kleihues + Kleihues Gesellschaft von Architekten mbH	Berlin	R7.G38
KSB Intax Projekt GmbH	Hanover	R8.D24
Luehrmann Deutschland GmbH & Co. KG	Osnabrück	P4.C10
Mannheim City	Mannheim	R8.D24
MEAG	Munich	R7.G16
Meininger Holding GmbH	Berlin	P-1.C40
Metropolregion Rhein-Neckar GmbH	Mannheim	R8.D24
Meyerschmitzmorkramer	Cologne	R7.G38
Momeni Immobilien Holding GmbH	Hamburg	R8.B20
München City	Munich	R7.G16

Exhibitor / Company	City	Booth number
Münchener Grundbesitz Verwaltungs GmbH	Grünwald	R7.G16
NAS Invest GmbH	Berlin	R7.G20
Nassauische Heimstätte Wohnungs- und Entwicklungsgeselllschaft	Frankfurt	R7.G20
NRW.Invest GmbH	Dusseldorf	R8.D13
Nürnberg City - Office for Economic Development	Nuremberg	R8.D24
OFB Projektentwicklung GmbH	Frankfurt	R7.G20
Officefirst Real Estate GmbH	Frankfurt	R7.G20
OWT Oberhauser Wirtschafts-und Tourismusförderung	Oberhausen	R8.D13
P&P Real Estate GmbH	Fürth	R7.G16
PGIM Real Estate Germany AG	Frankfurt	C19.H
Pro Potsdam GmbH	Potsdam	P4.C10
pwc	Berlin	R7.D30
Quantum Immobilien AG	Hamburg	R7.G38
Quartier Heidestraße GmbH	Berlin	P4.C10
Real Estate Stuttgart Chartered Surveyors GmbH	Stuttgart	P4.C3
REAQ Immobilien GmbH	Aachen	R8.D13
REOS GmbH	Hamburg	R7.G38
Robert C. Spies Gewerbe und Investment GmbH	Bremen	R8.D24
Rock Capital Group GmbH	Grünwald	R7.g16
RWTH Aachen Campus GmbH	Aachen	R8.D13
Salvis Consulting AG	Munich	R7.G16
Sammler Usinger, Rechtsanwälte Partnerschaft MBB	Berlin	P4.C10
Savills Imobilien Beratungs- GmbH	Frankfurt	R7.E74
Schindler Deutschland AG & Co. KG	Berlin	P-1.B50, P-1.C51
Schleiff Denkmalentwicklung GmbH & Co. KG	Erkelenz	R8.D13
Sensorberg GmbH	Berlin	P-1.B90
SIEMENS AG Siemens Real Estate	Munich	R7.G16
Societe Generale	Frankfurt	P-1.D 1
Strabag Real Estate GmbH	Cologne	P4.C20
Stuttgart City	Stuttgart	P4.C20
Stuttgart Region Economic Develop-ment Corporation	Stuttgart	P4.C20
Thomas Müller Ivan Reimann Ge-sellschaft von Architekten mbH	Berlin	R7.G38
TLG Immobilien AG	Berlin	P4.C10
TOPOTEK 1 GmbH	Berlin	R7.G38
TUEV Sued Industrie Service GmbH	Munich	R7.G16
TUI Hotels & Resorts	Hanover	P-1.C44
Unicredit Bank AG	Munich	R7.G16
Universal-Investment-Gesellschaft mbH	Frankfurt	R7.G20
Vicus Group AG	Leipzig	R8.D24
Vitzthum Projektmanagement GmbH	Hamburg	R8.B20
Warburg-HIH Invest Real Estate GmbH	Hamburg	R8.B20
WBM Wohnungsbaugesellschaft Ber-lin-Mitte mbH	Berlin	P4.C10
WFMG - Wirtschaftsförderung Mönchengladbach	Mönchen-gladbach	R8.D13
Wirtschaftsförderung Bochum WIF GmbH	Bochum	R8.D13
Woehr + Bauer GmbH	Munich	R7.G16
Woehr Autoparksysteme GmbH	Friolzheim	P4.C20
Yardi Systems GmbH	Mainz	R7.F27
Zanderrotharchitekten GmbH	Berlin	R7.G38
ZECH Immobilien GmbH	Bremen	R8.D24

As of: January 2019. Source: www.mipim.com

Cannes

43°33'N, 7°10'0



Kruno Crepulja,

CEO Instone

What restaurant/bar do you like to go to after a busy day at the fair? I like to go to the Bar Galerie du Fouquet's Cannes located directly on the beach promenade (La Croisette). I enjoy the modern and inspiring style of the bar. Also, the cocktails there are truly first-class. **What is your favorite place in Cannes?** Most definitely the beach promenade (La Croisette). You get a special feeling strolling in the sunshine along the La Coisette, enjoying the wonderful view of the bright blue sea from one of the cafés. **What is your favorite French dish?** I love to eat a delicious, freshly made bouillabaisse. This fish soup is made best in its native France and tastes even better when served near the sea.

Michael Kröger,

Head of International Real Estate Finance at Helaba

"For me and through all my MIPIM "career" – dating back as far as 1991 – I can only think of "Café Roma", directly opposite of the Palais, as the typical MIPIM hangout after hours, where you can also meet new people and get some inspiration. In many ways, in fact. It is the typical French café / brasserie concept, but adapted to the conference schedule and the many events at the Palais, over the year. You find lunch meals or dinner, sandwiches or snacks, but most important: the flocks of real estate people standing on the sidewalk or in the aisles with a beer in the hopefully warm spring evening. You can join several groups or speak with people you know. It is like a big "after work" gathering and really relaxed – which you need sometimes after a day full of meetings, discussions and information."

Martina Rozok,

Managing Partner of the communication agency ROZOK GmbH

For several years now, I have been staying in a much too expensive, but well located apartment in a small side street near the Palais des Festivals in Cannes. When I get up in the morning and open the window, I look out over the playground of the kindergarten next door. And I always enjoy a cup of coffee while watching the children at play; they have so much fun. Always a wonderful way to start the coming day at MIPIM!

Photos: manjik/shutterstock.com; Tino Pohlmann; gloria grönemeyer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