bulwiengesa

Market Report

Investment Opportunities in German Secondary Office Locations

Client: DEMIRE - Deutsche Mittelstand Real Estate AG

Frankfurt am Main, June 2017

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PRELIMINARY REMARK

DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and up-and-coming locations on the periphery of German metropolitan areas. As the general market coverage tends to focus on the major metropolises, the market perception of the smaller markets on the national level is rather underdeveloped. This is surprising insofar as many of these markets have been highly stable and have prospered in recent years.

In order to increase the transparency of the smaller markets or the secondary office locations, DEMIRE commissioned the independent German market research and consultancy firm of bulwiengesa AG to conduct a market analysis of selected secondary markets in Germany. The analysis is focused on the office segment. The analysed cities are depicted in the map chart below.

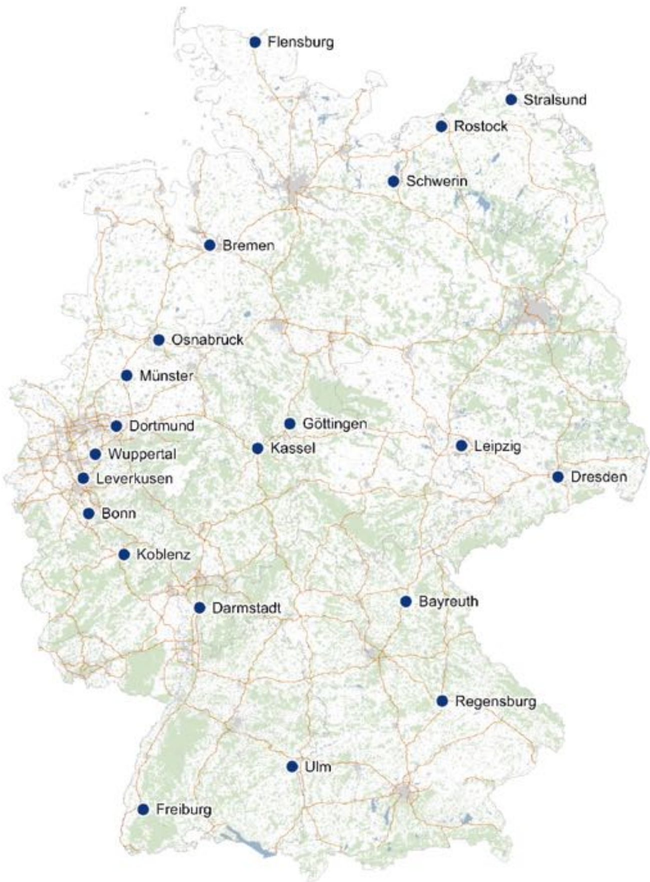
Survey Structure

The survey before you divides into four consecutive analytic steps, each of which builds on the preceding step. The first step introduces the German office market, and takes a closer look at its market structures. The next step of the analysis will outline the rent and vacancy trends in the markets of the B to D class cities, and juxtapose them with the performance of the Class A markets. Since office employment is the most important demand variable of any office market, the survey will take a closer look at its evolving performance and project its likely outlook. With the market environment and the demand structure in each market cluster having been detailed, the next step of the analysis will be to profile the investment environment. In the subsequent step, we will scrutinise the supply side of the surveyed markets. To this end, we will juxtapose completions, the volume of new construction, and the rental growth, among other factors, with the trend in office employment. A brief conclusion will finally summarise the key findings of the survey.

About the Methodology

The survey will use the data of bulwiengesa's proprietary RIWIS[1] database to increase the transparency of the smaller markets or the secondary office locations. Also sourced for the presentation of important projects is our in-house real estate database.

Overview of the cities surveyed



Map source © NAVTEQ

[1] RIWIS = bulwiengesa's proprietary regional information system for Germany's real estate industry.

1 EXECUTIVE SUMMARY

Due to the polycentric structure of the country's economy, Germany is home to significant and prospering office real estate markets that have evolved outside the major metropolises. The survey now before you studies the risk/opportunity profile of selected secondary office locations and compares them to Germany's Class A markets, the so-called "Big Seven." The analysis shows, on the one hand, that market activity and market size differ significantly. On the other hand, the secondary office locations have specific one-off supply and demand structures. These structures are generally defined by medium-sized enterprises whose distinguishing features are a strong loyalty to location and a high degree of stability.

Beyond that, secondary office locations present a rather heterogeneous market structure: In the early zero years, the office markets of East German cities in particular were characterised by an oversupply in office accommodation, which brought down rent levels. Yet over the past years, the majority of these markets have gathered momentum as a result of slow building activity and growing demand, and some of these markets show a very dynamic performance.

At the same time, some of the established business centres in West Germany manifest extraordinary stability and low vacancy levels. Individual markets like the one in Regensburg developed an above-average dynamic in recent years that is reflected in rising rent rates. The chart below matches the rent volatility (a threat) of the past ten years with current yield opportunities. Compared to the Class A markets, it becomes obvious that many of the secondary office locations offer significantly higher yield opportunities while their risk profiles (rent margin of fluctuation) are no higher or indeed lower than those of the Class A cities.

Secondary office locations are generally characterised by little speculative building activity or none, on the one hand. On the other hand, demand in many of these markets follows a stable or upward trend. It is therefore safe to assume that market-consistent investments in these location will retain their balanced risk/return ratios.

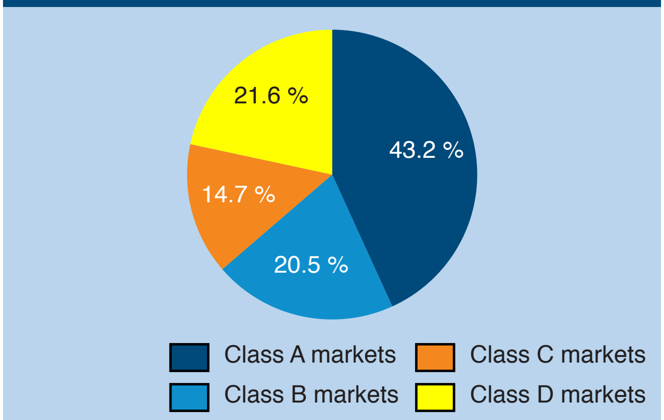
Return / risk representation*

* The standard deviation (average rent) refers to the period between 2007 and 2016.
Source: RIWIS

2 STRUCTURE OF THE GERMAN OFFICE MARKET

Unlike other major office markets in Europe, such as those of France or the UK, the German market for office real estate consists of several metropolises, each of which has its own functional characteristics. In addition to these, there exists a large number of midsize centres whose office real estate markets prosper as often as not. In order to map the structure of this polycentric market striation, bulwiengesa divided them into the market classes A through D. Determining factors such as total office stock and office take-up play a key role in this classification.

Structural data - total office stock 2016



Source: RIWIS

The office stock[2] figures differ from one city to the next, depending on the market type: By the end of 2016, the seven Class A markets accounted for around 43.2% of the German office stock total (or around 79,463,000 sqm RA-C[3]). By contrast, the 14 Class B cities claim an office stock share of around 20.5% (37,654,000 sqm RA-C), the 22 Class C cities a share of around 14.7% (27,042,000 sqm RA-C) and the 84 Class D cities a share of around 21.6% (39,787,000 sqm RA-C).

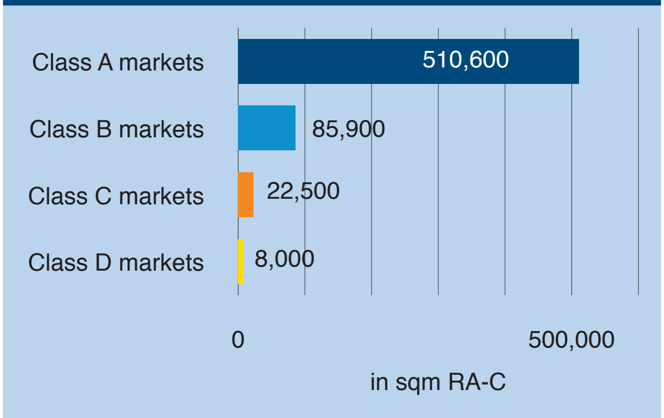
The discrepancies between the different market activities and market sizes become even greater when you analyse the office take-up[4]: While the Class A cities reported an average take-up of about 511,000 sqm RA-C in office space, the mean take-up in the Class B markets approximated 86,000 sqm RA-C. The figures for the C and D class markets were around 22,500 and 8,000 sqm RA-C, respectively.

[2] Total office stock (net) = the net floor space stock (RA-C according to the "gif" standard) only maps the net usable area, with the annual demolition rate also being taken into account.

[3] RA-C = lettable commercial floor area as defined by the "gif" research society for the real estate industry.

[4] Office take-up = the take-up is defined as year-end total, mainly representing the office floor area absorbed by the market through lettings but also including property developments pursued by owner-occupiers. The key date for the floor space take-up is the day a lease is signed or the day construction of owner-occupied properties starts, as the case may be.

Structural data - office take-up (avg.), 2016



Source: RIWIS

Due to the geographic interdependencies of the markets, the demand for office accommodation in each is driven by different types of market players.

Market environment - key players defining the demand for space

	Regional players	Inter-regional players	Nation-wide players	Inter-national players
Class A markets	✓	✓	✓	✓
Class B markets	✓	✓	✓	
Class C markets	✓	✓	✓	
Class D markets	✓			

In Class A markets, for instance, the demand for office accommodation is generated by regional, inter-regional, national and international players. This contrasts with B and C class markets where regional and national players are the dominant demand groups. However, the market grid also includes cities like Darmstadt (a Class C market) whose specific economic fabric generates demand even from international players.

Conclusion

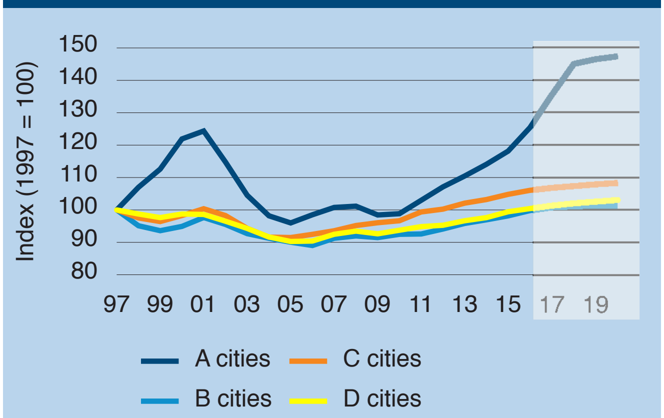
Germany's office market is defined by a polycentric structure. It is commonly divided into markets of the classes A through D. While the large Class A markets are permanently in the focus of international demand groups, smaller markets are dominated by locally rooted tenants who are loyal to their location. As a result, these secondary office locations boast highly stable parameters, not least because regional investors tend to have a long-term investment horizon.

3 PERFORMANCE OF THE OFFICE MARKETS IN SECONDARY OFFICE LOCATIONS

A Look at the Supply Side

The prosperity and stability of the various markets is reflected in the analysis of the office rent performance: As shown in the chart, the average rent[5] growth differed starkly from one market cluster to the next between the years 1997 and 2016. While the Class A cities experienced fluctuations by more than 20% within a matter of a few years, the secondary office locations (B through D class locations) typically have a highly stable performance.

Performance of average rent, 1997 - 2020 (CBD offices)*



* weighted average
Source: RIWIS; forecast by bulwiengesa for 2017 and years thereafter

The volatility in the Class A cities must be blamed specifically on the speculative[6] building activity pursued in the late 1990s. In conjunction with low take-up volumes, it resulted in a decline of the rent average in Class A cities. Over the past years, the reticent building activity on the Class A markets caused both the prime and the average rent to rebound and start rising again. By the end of 2016, asking rents showed a weighted average of c. 19.40 euros/sqm RA-C.

The rental growth spikes in the secondary office locations during the analysed time period are attributable to the market upheavals in the East German states, among other reasons. In the cities of Leipzig and Dresden, for instance, brisk development activity in the 1990s created an excess supply that the market failed to absorb. To this day, the two cities show relatively high vacancy rates that are explained by this historic background. Then again, the vacancy rates have been dropping steadily over the past five years. As a result, rents rebounded and have drastically increased on average.

Overview - average rents for CBD offices 2016*

	Average rent (weighted)	Highest avg. rent level	Lowest avg. rent level
Class A markets	19.40	24.10 (Munich)	14.00 (Cologne)
Class B markets	9.80	11.40 (Mannheim)	8.50 (Bremen)
Class C markets	8.60	12.40 (Heidelberg)	7.20 (Bielefeld)
Class D markets	7.20	11.20 (Ulm)	4.50 (Halberstadt)

* average rent in euros/sqm RA-C
Source: RIWIS

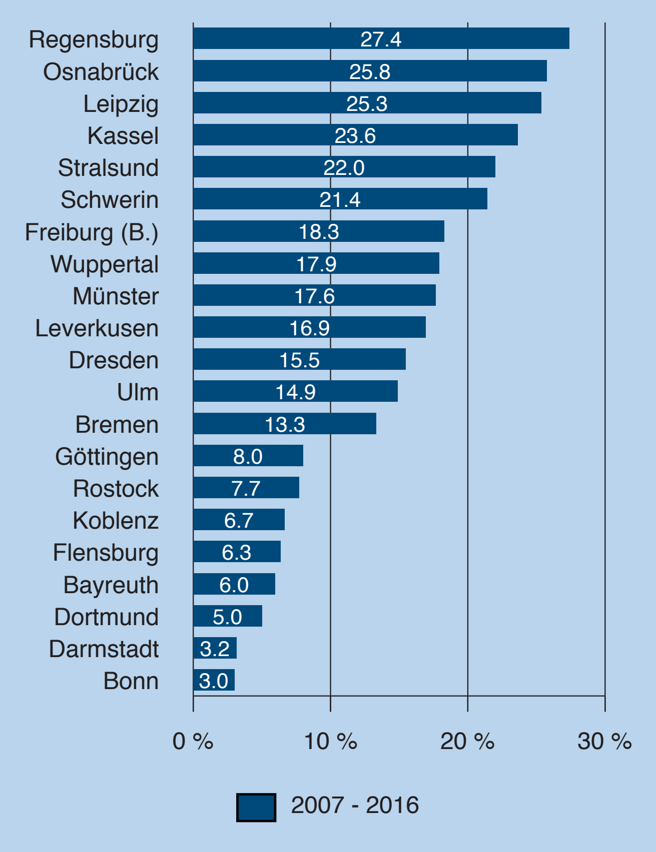
Conclusion

All things considered, we assume that the average rent in the secondary office locations will see a positive performance in the coming years – see also the chart “Performance of average rent, 1997 - 2020”.

5 Average rent = to determine the average rent, the rents negotiated for the leases that were signed during the defined period of time are weighted with the floor area rented before the mean is calculated.

6 Speculative building activity = property developments that move ahead before the premises are pre-let.

Development of average rent (CBD offices) in the cities surveyed



Source: RIWIS

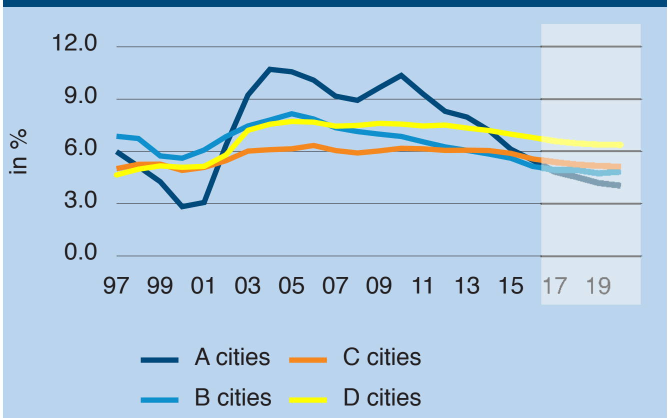
A detailed analysis of each market for the period 2007 through 2016 revealed a positive trend in the cities chosen for the case study. The rent increases identified in the process straddle a bracket from about 3% to 27%. The steepest increases during the period under review were registered in Regensburg (+ 27.4%), Osnabrück (+25.8%) and Leipzig (+25.3%).

The rental growth in Regensburg is due to a broadly diversified demand structure driven by the sectors of public administration and research / teaching as well as by the administrative needs and services of the industrial sector, among other factors. Moreover, the market action of the past years included few property developments, and these were pursued only in response to actual demand generated by the local market in Regensburg. The market in Osnabrück also registered substantial rent hikes because development activity in the city has proceeded at a measured pace and been defined by owner-occupied or pre-let new buildings. The average office rent in downtown Osnabrück approximates 8.00 euros/sqm, thus matching the level of the German Class C cities.

By contrast, the rental growth in Bonn progressed at a slower pace than in the other markets selected for this survey. Then again, the city's rents have maintained a high level since 2007. By the end of 2016, Bonn reported an average office rent in the inner city of 10.30 euros/sqm RA-C, putting the market in the top segment with the highest average rent level among the Class B cities.

The office vacancy rate represents an important indicator to be factored in when juxtaposing the office supply currently on the market with the demand side (office employment).

Development of the office vacancy rate, 1997 - 2020 (avg.)



Source: RIWIS; forecast by bulwiengesa for 2017 and years thereafter

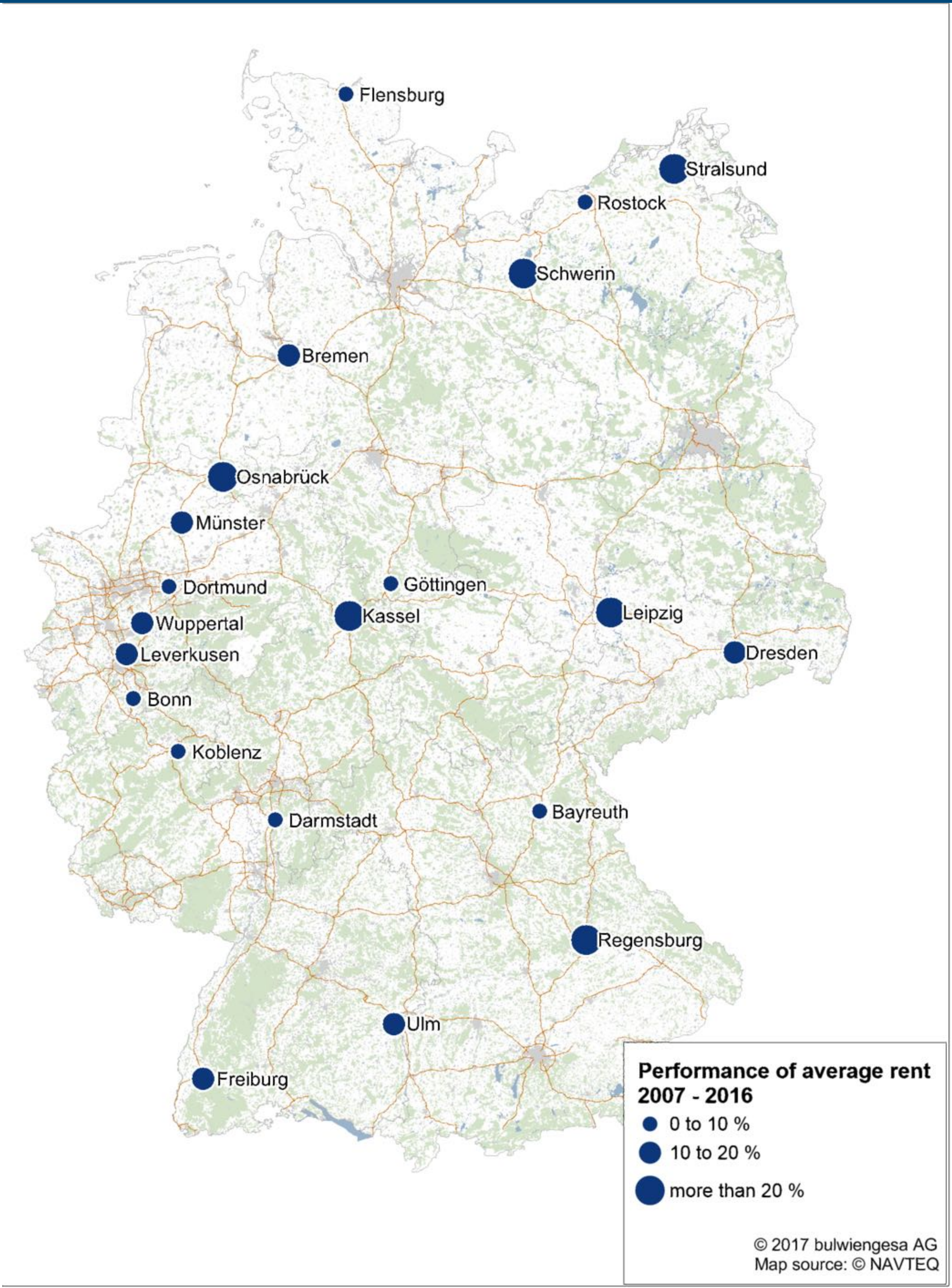
The chart shown here illustrates that, within the market clusters they are attributed to, the secondary office locations have traditionally had a lower office vacancy rate[7] than the Class A cities. The main reason for this development is that you have virtually no speculative building activity in the secondary office locations.

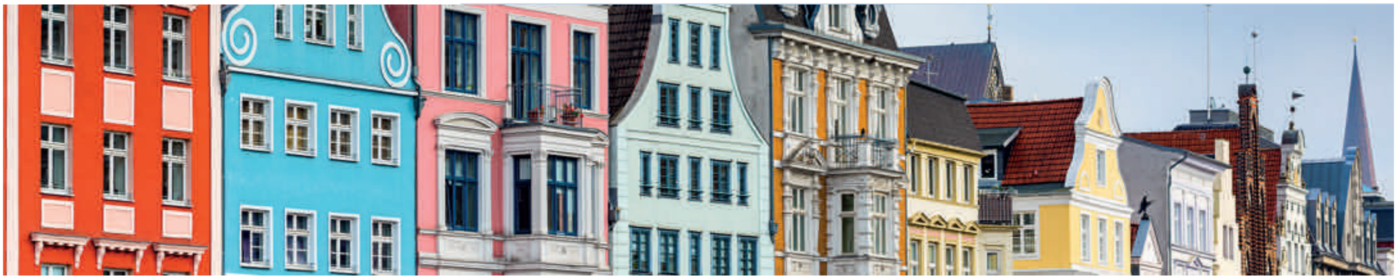
At the moment, however, several Class A cities show a shortage in floor space. Vacancy rates in Munich, Stuttgart and Berlin are down to a level of 2.7% to 3.0%. Frankfurt am Main is currently the only one among the "Big Seven" cities with a double-digit vacancy rate. The decline in office vacancy rates is primarily attributable to two factors. On the one hand, the take-up is increasing while, on the other hand, obsolete properties are recycled for other purposes (e.g. as residential buildings or hotels).

In analogy to the Class A cities, office vacancies in the secondary office locations have also been rolled back in recent years. The steepest drop in vacancy among the Class B cities was accomplished in Leipzig with a reduction by 22 percentage points. Nonetheless, the city remains at the upper end of the Class B city ranking with a vacancy rate of 11.4%.

[7] Office vacancy rate = the vacancy rate refers to the usable office space vacant at the end of a given year; taking into account only marketable properties while ignoring structural vacancy. The vacancy rate represents the ratio of vacant floor space to the total floor space stock.

Performance of average rent 2007 - 2016

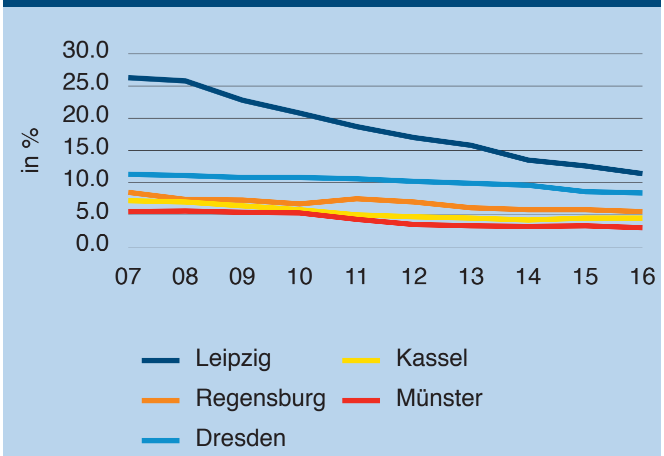




The German Class C cities are generally known for their low vacancy levels. The vacancy rate in Rostock, for instance, is 7%, that in Freiburg 1.4%. The vacancy rates of Class D cities extend over a wider spectrum: While only 2.0% of the office space in Göttingen is vacant, the rate in Stralsund is 12.4%.

It is assumed that the decline in vacancies will continue through 2020, pushing vacancies rates down to a projected 4.40% in the Class A cities, to 4.84% in the Class B cities, to 5.13% in the Class C cities, and to 6.37% in the Class D cities.

Changes in vacancy rate in the surveyed cities (selected)



Source: RIWIS

Among the markets surveyed, Leipzig, Regensburg, Dresden, Kassel and Münster – shown in the chart – were the cities most successful in reducing their vacancies percentage-wise between 2007 and 2016. Especially the development of Leipzig's office market should be highlighted in this context: Here, the office vacancy rate dropped from 26.3% at year-end 2007 down to 11.4% by the end of 2016, not least because a large share of the vacant buildings in Leipzig were no longer fully marketable. The local vacancy rate was significantly reduced by taking these off the market.

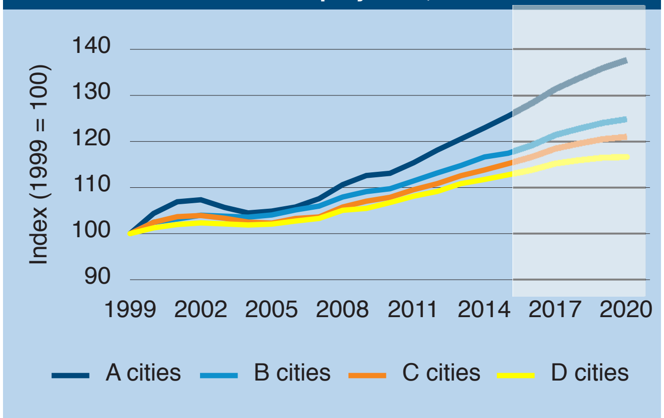
Dresden – which is one of the three largest office markets in East Germany, after Berlin and Leipzig – also registered a noticeable decrease in vacancies during the same time period: The city's vacancy rate went down from 11.3% in late 2007 to 8.4% by the end of 2016. Despite the regressive trend, this is still a rather high vacancy level for a Class B city.

The development in Dresden, in analogy to Leipzig, is explained by a high level of speculative building activity during the 1990s and the excess supply it created. Meanwhile, Freiburg, Göttingen, Bayreuth and Stralsund are following an inverse trend, as office vacancies have slightly increased. Then again, the vacancy rates in the first three of the above cities is on a very low level (1.4% to 3.2%). Worth noting is also that these markets fall short of the fluctuation reserve of 5.0% to 6.0% of the office property stock that is considered necessary to ensure the proper functioning of any office real estate market.

A Look at the Demand Site

Office employment is always the demand variable most relevant in any office market studied. It is therefore mapped and analysed in the chart below.

Trend in office employment, 1999 - 2020



Source:RIWIS;forecast by bulwiengesa for 2017 and years thereafter

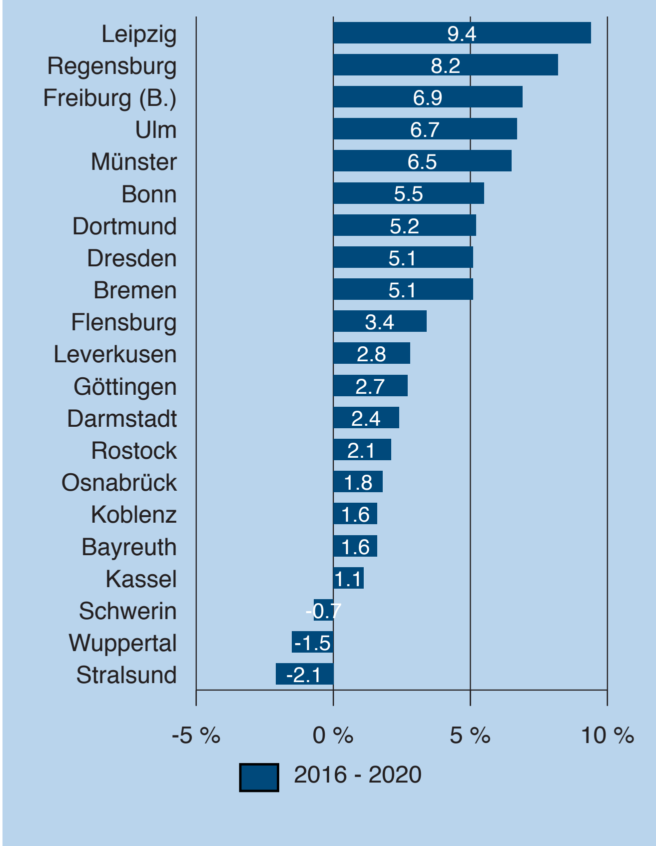
On the whole, office employment followed an upward trend across market clusters since 1999. Class A cities experienced the briskest growth, followed by the class B, C and D markets. Office employment in the Class A cities currently adds up to around 2.9 million white collar jobs. This implies an increase by 28% since 1999. Office employment in the secondary office locations followed a similar trend, rising between 17% and 25%. Office employment is likely to keep expanding across all market clusters in the coming years, making it reasonable to expect a persistently lively demand for office accommodation going forward.

The map below illustrates the positive growth in office jobs in all of the surveyed cities – except in Stralsund (-7.4%) and Schwerin (-2.1%) – during the period under review (2007 through 2016). Leipzig topped the list with a growth rate of + 24.3%, followed by Freiburg (+22.2%) and Regensburg (+ 19.1%).

Leipzig has managed to position itself in the domestic and international competition as an attractive location marked by forward-looking industries, and as one of the economic powerhouses in eastern Germany. In the recent past, Leipzig developed into a major automotive location after Porsche and BMW, among others, built major plants here. But conglomerates from other sectors, such as DHL and Siemens, have also set up facilities in Leipzig and thereby raised its economic standing.

The increase in Freiburg is attributable to the prominence of the mid-market sector for the local economy and the strong service sector. Freiburg's university encourages small and medium-sized enterprises from the sectors solar technology, information and media technology, as well as medical, environmental and bio-technology to relocate to the city. The resulting clusters Green City, HealthRegion, BioRegion, Upper Rhine Valley and MicroTEC Südwest have enabled the city to position itself as a regional and inter-regional player. The situation in Regensburg is similar insofar as the research and education sector evolved into one of the mainstays of the local economy ever since the university was set up in the 1960s.

Growth in office employment in the cities surveyed

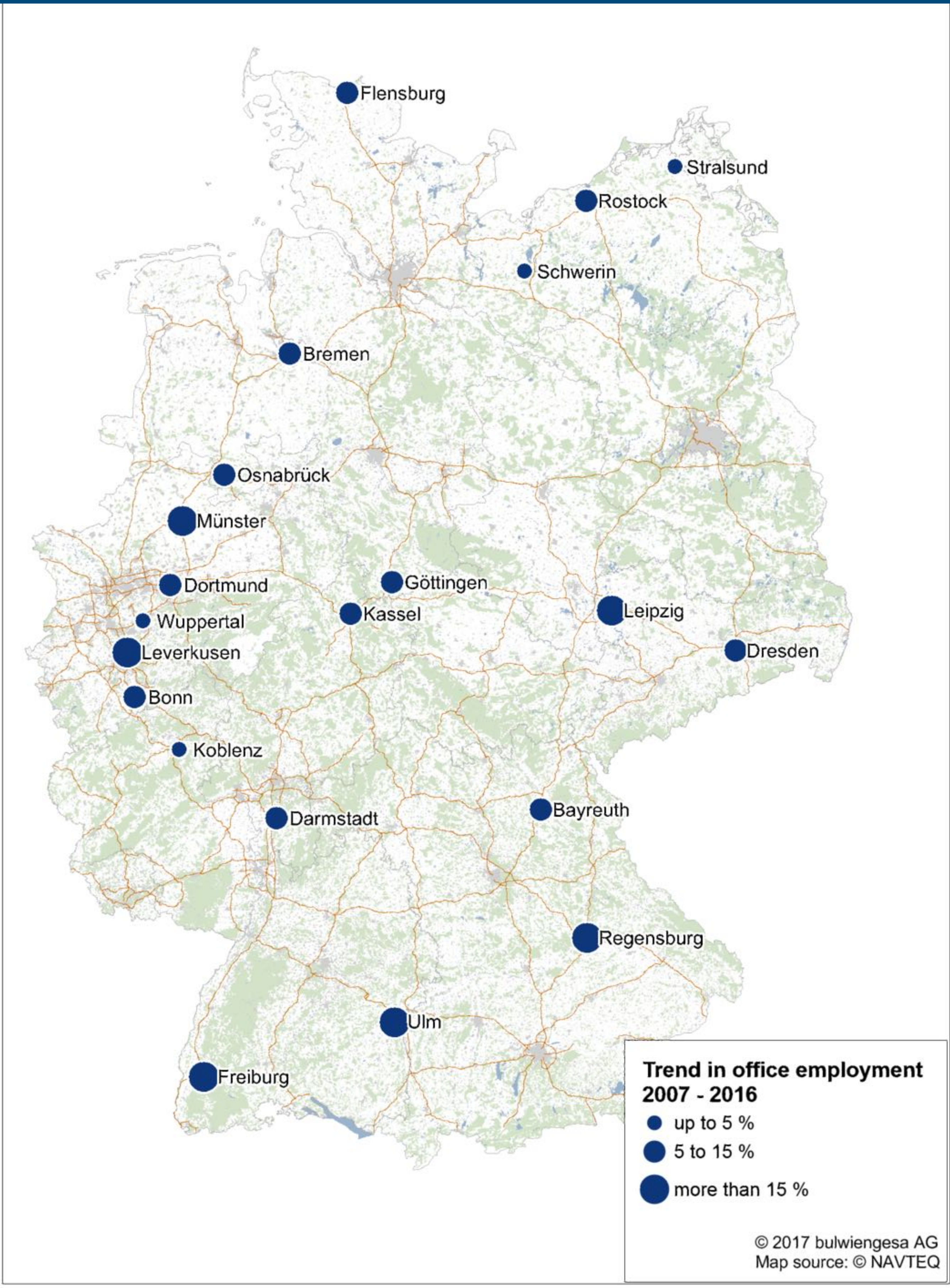


Source: RIWIS

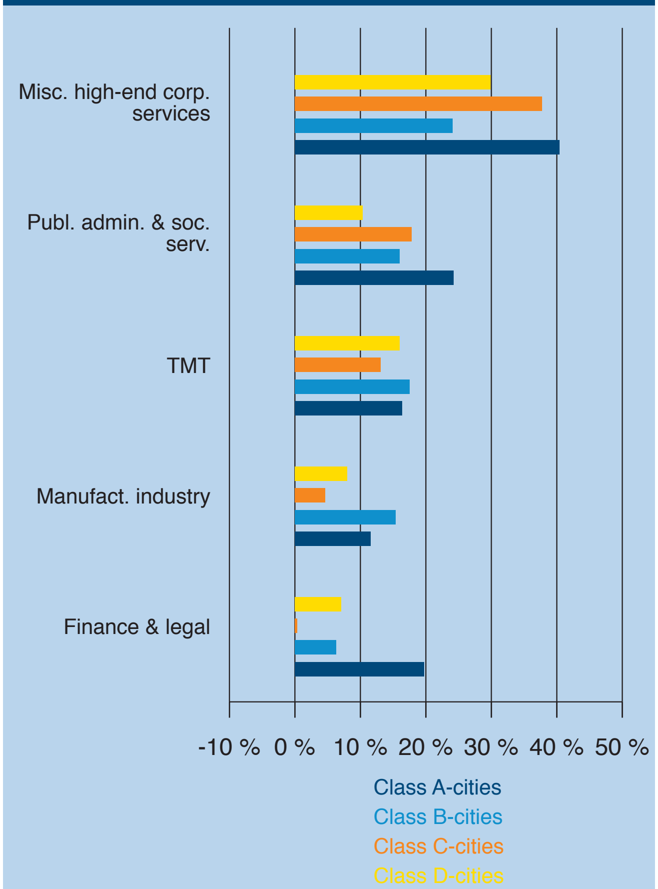
The forecast period of 2016 through 2020 is expected to bring positive growth in office employment for all of the cities surveyed, with the exception of Schwerin, Wuppertal and Stralsund. Outperformers like Leipzig (+9.4%), Regensburg (+8.2%) and Freiburg (+6.9%) will continue their upward trend (see the period between 2007 and 2016). Another two cities with growth prospects of more than 6% are Ulm and Münster.

Stralsund, by contrast, will probably keep following a downward trend (outlook: -2.1%) because the current socio-economic parameters (including an unemployment rate far above the state and federal average) do not point to an imminent boom cycle.

Trend in office employment, 2007 - 2016



Trend in office employment by industry, 2007 - 2016



Source: RIWIS

Higher-end corporate services – which include companies from the real estate industry, among others – were among the drivers of office employment in recent years. This type of service generated an office job growth of 24.1% to 37.7% in the secondary office locations, nearly matching the relative growth rate of the Class A cities.

The segments TMT (technology, media, telecommunication), financial technology (FinTech) and insurance technology (InsurTech), which are also subsumed in this service category, clearly prospered too. These segments achieved growth rates of up to 18% in the secondary office locations. Indeed, the fact that not just the “Big Seven” cities like Berlin but secondary office locations benefited from this kind of growth is quite remarkable in the context of this survey.

The manufacturing industry, which includes both elements of the Old Economy and aspects of the new innovation-driven industries, actually outpaced the Class A markets (11.5%) in the midsize markets (Class B markets) with a growth rate of 15.4%. It is yet more evidence that growth impulses from the innovation industries have long moved on to include business locations beyond the Class A cities. The transformation of the Germany economy away from the classic industrial sector and towards the service industry keeps generating demand for office workspace.

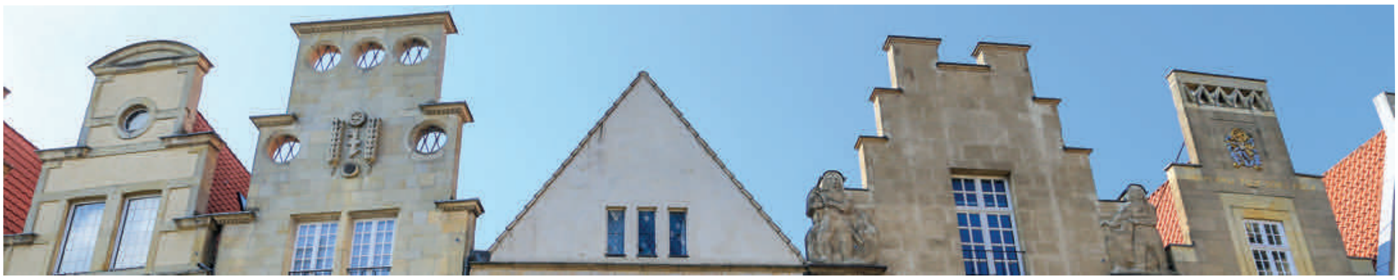
The public sector assumes a prominent market position as a relevant demand variable, specifically with its floor space requirements in the administrative and social sectors. Office employment in the secondary office locations generated a growth in demand between 10.4% and 17.8%.

High-end corporate services are expected to keep stimulating the growth in office jobs more than any other sector, with secondary office locations projected to see growth rates between 12.1% and 13.8% in the years to come.

Another major role is played by technology-oriented businesses, whose demand on the office real estate market grew by 3.2% to 6.7%. The low influence of the finance industry on the office real estate markets in secondary office locations is another stabilising factor. Possible consolidations in the banking and finance sectors will have much less of an impact here than on Class A markets.

Conclusion

Unlike Germany’s Class A markets, the secondary office locations delivered a very stable performance in recent years both in terms of average rental growth and in terms of office vacancy rates. Demand in the secondary office locations is principally driven by mid-market companies, whose most distinct traits include strong loyalty to location and a high degree of stability. Office employment, which is the chief indicator for demand on any office market, manifested a positive trend across all market clusters over the past years. The coming years are expected to see the upward trend in office employment continue, and to produce positive effects for the office markets in turn.

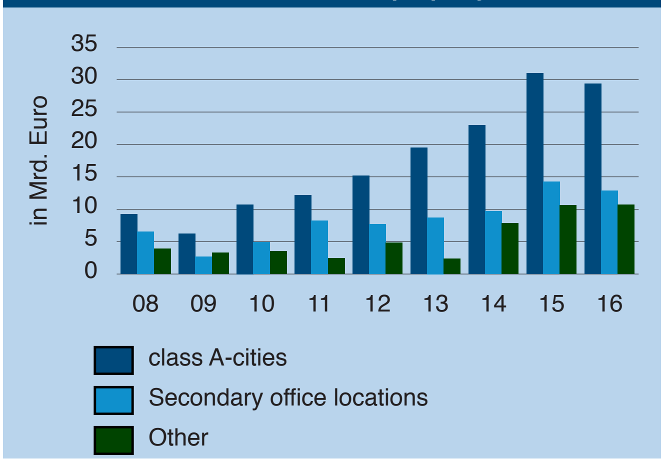


4 INVESTMENT MARKET

The success of a property investment is determined, on the one hand, by sustainable rental income. The prevailing market environment and the demand structure in each market cluster was outlined in the preceding chapters. On the other hand, the investment environment is considered the second most decisive value driver. It remains defined by a highly strained interest environment and the absence of alternative investment-grade asset classes. The resultant effect is a rising liquidity level on the investment market that exacerbates the market situation.

Transaction Volume

Transaction volume commercial property, 2008 - 2016*



* No data available on years before 2008, Source: RIWIS

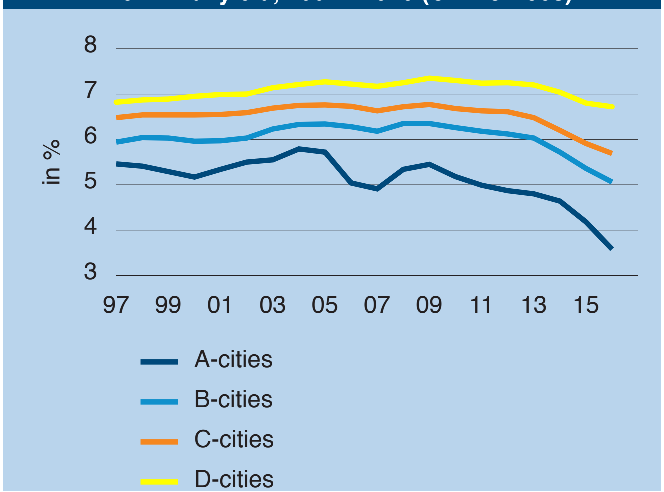
The demand for commercial real estate in Germany[8] has maintained a high level for a number of years now. The fact is reflected in a transaction volume of this market segment: It has been expanding since the crisis year 2009, although 2016 saw the volume consolidate on a high level. The total transaction volume came to approximately 53 billion euros by the end of 2016. Due to the growing shortage in investment opportunities in the country's major metropolises, investors have increasingly looked for alternatives in secondary office locations. Now, as then, the market continues to be driven by foreign investors who are clearly seeing the minor markets as a viable workaround. This investor group accounted for 44% of all investments in 2016.

In any of the commercial segments, office properties represent the most popular investment category. They attracted around 45% of all property investments, followed by retail real estate at around 25%.

Net Initial Yield

The net initial yield[9] reflects the investor demand for a given market cluster. In sync with investor demand in the respective demand clusters, the persistent yield compression trend that started in 2010 has continued ever since.

Net initial yield, 1997 - 2016 (CBD offices)*



* weighted average; Source: RIWIS

While the past few years were defined by investor demand for core assets[10] in the major metropolises, investors have lately expanded their horizon to include properties outside the CBDs and outside the major markets. Net initial yield levels have

[8] Commercial real estate = office, retail and logistics real estate along with certain other properties (hotels, senior-living real estate, etc.).

[9] Net initial yield = this ratio puts the net rental income in relation to the purchase price before the property-specific incidental acquisition costs. Accordingly, a low net initial yield rate suggests a high asking price.

[10] Core assets = real assets in prime locations let on excellent lease covenants.

dropped to new all-time lows as a result. Class A cities, for instance, registered a weighted mean net initial yield of 3.58% at year-end 2016. A yield level this low makes it harder and harder for investors to engage in financially lucrative property investment activities. Net initial yield rates in secondary office locations matched the downtrend by dropping to 5.06% in Class B cities, to 5.69% in Class C cities and to 6.72% in Class D cities.

Net initial yield in the surveyed cities 2016	
Stralsund	7.3 %
Schwerin	7.1 %
Bayreuth	6.7 %
Göttingen	6.6 %
Flensburg	6.5 %
Koblenz	6.5 %
Wuppertal	6.4 %
Kassel	6.0 %
Rostock	6.0 %
Leverkusen	5.8 %
Osnabrück	5.7 %
Ulm	5.5 %
Bremen	5.3 %
Darmstadt	5.3 %
Regensburg	5.1 %
Dortmund	5.0 %
Dresden	5.0 %
Freiburg	5.0 %
Leipzig	5.0 %
Münster	5.0 %
Bonn	4.6 %

Source: RIWIS

At the end of 2016, the net initial yield rates in the surveyed cities ranged from 7.3% in Stralsund to 4.6% in Bonn. In terms of prime yield (net initial yield), this makes Bonn's investment market the priciest one among the Class B cities. The headquarters of Deutsche Telekom AG in the federal district, for instance, was sold by KGAL to a syndicate of institutional investors from South Korea for 200 million euros. Generally speaking, the city benefits increasingly from the short supply in investment products in the Class A cities. At the other end of the scale of Stralsund with a net initial yield of 7.3%. Here, the small size of the city's market strongly limits the possible investment volume for office investments.

Conclusion

The current yield level steadily narrows the margin for financially viable investments in German metropolises. This moves the secondary office locations increasingly into focus for investors because they offer attractive alternatives to the major cities. However, the strained market environment is causing the situation to repeat itself in the secondary office locations as transaction volumes grow and net initial yield rates harden. The situation is not made easier by the fact that most of the secondary office locations have a small market footprint – strongly limiting investment volumes for office real estate investments.

Bayreuth

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	405,000 sqm	418,000 sqm	412,000 sqm
Office take-up*	5,000 sqm	16,500 sqm	6,800 sqm
New office space added*	0 sqm	5,200 sqm	2,100 sqm
Average rent (CBD)*	6.70 euros/sqm	7.10 euros/sqm	6.80 euros/sqm
Office vacancy rate*	11,000 sqm	13,500 sqm	11,500 sqm
Net initial yield	8.0 %	6.7 %	7.7 %
Office employment			
Number	19,434	22,135	20,792
Forecast	22,495 (2020)		1.6 % (2016 - 2020)
Sectors			
Public administration	3,484	3,648	-4 % (2016 - 2020)
Other high-end corp. serv.	1,896	2,406	13 % (2016 - 2020)
TMT	2,006	2,699	9 % (2016 - 2020)

Local companies

Key clusters	Scientific Research and Innovation; Creative Industry
Local companies (selected)	– Klinikum Bayreuth GmbH – TenneT TSO GmbH – medi GmbH & Co. KG

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office real estate market in Bayreuth is of small-scale character and dominated by owner-occupiers. Local property developments reflect the fact: The biggest new-build construction project (between 2007 and 2016) was the development of the customer centre of the local savings bank (completed in late 2016) with an office space of about 5,200 sqm RA-C. The property developments scheduled for the coming years are also predominantly intended for owner-occupancy. In addition to the new building raised by Tennet GmbH on Nordring, the company Rehau also plans to build an office scheme here.

Bonn (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	3,126,700 sqm	3,220,900 sqm	3,193,900 sqm
Office take-up*	130,000 sqm	90,000 sqm	88,650 sqm
New office space added*	41,900 sqm	41,500 sqm	26,250 sqm
Average rent (CBD)*	10.00 euros/sqm	10.30 euros/sqm	10.20 euros/sqm
Office vacancy rate*	133,000 sqm	85,000 sqm	114,150 sqm
Net initial yield	5.8 %	4.6 %	5.5 %
Office employment			
Number	106,166	118,112	112,076
Forecast	124,611 (2020)		5.5 % (2016 - 2020)
Sectors			
Public administration	31,173	28,593	-5 % (2016 - 2020)
Other high-end corp. serv.	7,743	8,169	6 % (2016 - 2020)
TMT	16,228	16,649	1 % (2016 - 2020)

Local companies

Key clusters	Information and Communication Technology; Healthcare
Local companies (selected)	– Deutsche Post AG – Deutsche Telekom AG – Deutsche Postbank AG

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Considering its office market, it is safe to say that the city has made a success of its shift from federal capital to "federal city." The vacancy rate has steadily declined in the years since 2007. Since the number of property developments now in the pipeline is moderate, the vacancy reduction will continue despite the major construction projects that are expected to be kicked off in the coming years. One of these projects, which range between 50,000 and 60,000 sqm RA-C, is planned by the BSI German Federal Office for Information Security on Ludwig-Erhard-Allee (owner-occupier), while a new h.-r. is to be raised in the prime location at Bundeskanzlerplatz.

* in RA-C

Bremen

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	2,384,400 sqm	2,620,900 sqm	2,503,000 sqm
Office take-up*	120,000 sqm	88,000 sqm	84,095 sqm
New office space added*	49,900 sqm	51,100 sqm	32,490 sqm
Average rent (CBD)*	7.50 euros/ sqm	8.50 euros/ sqm	8.00 euros/ sqm
Office vacancy rate*	110,000 sqm	118,400 sqm	119,100 sqm
Net initial yield	6.3 %	5.3 %	6.2 %

Office employment

Number	112,584	125,066	118,665
Forecast	131,469 (2020)		5.1 % (2016 - 2020)
Sectors			
Public administration	11,249	12,241	3 % (2016 - 2020)
Other high-end corp. serv.	9,028	13,262	23 % (2016 - 2020)
TMT	12,004	14,173	8 % (2016 - 2020)

Local companies

Key clusters	Aviation and Aerospace; Maritime Economy and Logistics; Automotive Industry
Local companies (selected)	– KAEFER Isoliertechnik GmbH & Co. – Kühne + Nagel (AG & Co.) KG – Bremer Lagerhaus-Gesellschaft

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

With a total floor space stock of around 2.6 million sqm RA-C, Bremen is home to one of the midfield office markets among the Class B cities. One of the largest property developments of recent years was the new head office of the Bremen state bank with around 20,000 sqm RA-C (owner-occupied; completed in 2016) and the construction of a new Arcelor steel mill (completed in 2007, around 20,000 sqm RA-C). Several projects are currently in the pipeline, one of them the Übersee-Tower with a floor area of about 11,500 sqm RA-C. However, many developers hang on to plots that are already zoned for development and whose planning permit has already been obtained, waiting to ensure that a certain pre-let ratio has been achieved.

Darmstadt (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	1,438,900 sqm	1,602,500 sqm	1,538,800 sqm
Office take-up*	37,000 sqm	40,000 sqm	43,950 sqm
New office space added*	55,710 sqm	18,150 sqm	26,190 sqm
Average rent (CBD)*	9.50 euros/ sqm	9.80 euros/ sqm	9.60 euros/ sqm
Office vacancy rate*	76,000 sqm	74,000 sqm	75,800 sqm
Net initial yield	6.3 %	5.3 %	6.1 %

Office employment

Number	41,500	45,397	43,287
Forecast	46,472 (2020)		2.4 % (2016 - 2020)
Sectors			
Public administration	6,834	6,298	-5 % (2016 - 2020)
Other high-end corp. serv.	4,359	6,081	10 % (2016 - 2020)
TMT	7,850	8,690	4 % (2016 - 2020)

Local companies

Key clusters	Chemistry; Pharma; Telecommunication
Local companies (selected)	– E.Merck KG – Ev. Kirche in Hessen und Nassau – Vibracoustic GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Darmstadt is an important location among the Class C cities. But within the Rhine-Main metro region, Darmstadt is outperformed by Frankfurt and Wiesbaden. The biggest new-build construction scheme of recent years involved the TZ T-Online building (completed in 2007) with about 72,500 sqm RA-C. Aside from property developments pursued by owner-occupiers, such as the group head office of Merck (about 8,500 sqm RA-C) or the headquarters of Alnatura (about 8,000 sqm RA-C), there are virtually no other developments in the pipeline.

* in RA-C

Dortmund

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	2,414,800 sqm	2,615,600 sqm	2,538,400 sqm
Office take-up*	93,000 sqm	115,000 sqm	82,200 sqm
New office space added*	5,500 sqm	18,900 sqm	27,000 sqm
Average rent (CBD)*	10.00 euros/sqm	10.50 euros/sqm	10.40 euros/sqm
Office vacancy rate*	130,000 sqm	130,000 sqm	139,000 sqm
Net initial yield	6.3 %	5.0 %	6.0 %

Office employment

Number	98,529	108,392	103,384
Forecast	114,054 (2020)		5.2 % (2016 - 2020)
Sectors			
Public administration	13,603	15,164	7 % (2016 - 2020)
Other high-end corp. serv.	7,722	9,827	13 % (2016 - 2020)
TMT	12,851	12,024	-1 % (2016 - 2020)

Local companies

Key clusters	IT; Micro- and Nanotechnology; Biomedicine
Local companies (selected)	– TEDI GmbH & Co. KG – AOK NordWest – Gesundheitskasse – WILO SE

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Dortmund is home to the second-most important office market in the Ruhr metro area. The significance of Dortmund's office market is illustrated above all by its annual take-up, which averaged around 82,000 sqm RA-C during the past 10 years. Aside from the rather small-scale diversified economic structure of the market, the relatively high take-up is attributable not least to white-collar job growth. There are temporary spikes whenever the start of construction work on owner-occupied schemes drives up the completions figure. The projects to be completed between now and 2020 are mainly earmarked for owner-occupancy, the construction of the new Amprion head office being a case in point.

Dresden

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	2,653,400 sqm	2,631,900 sqm	2,673,100 sqm
Office take-up*	63,000 sqm	80,000 sqm	78,000 sqm
New office space added*	500 sqm	13,400 sqm	12,700 sqm
Average rent (CBD)*	8.40 euros/sqm	9.70 euros/sqm	8.70 euros/sqm
Office vacancy rate*	300,000 sqm	220,000 sqm	270,700 sqm
Net initial yield	6.5 %	5.0 %	6.2 %

Office employment

Number	101,551	112,919	106,948
Forecast	118,632 (2020)		5.1 % (2016 - 2020)
Sectors			
Public administration	18,765	19,512	2 % (2016 - 2020)
Other high-end corp. serv.	13,211	17,601	14 % (2016 - 2020)
TMT	14,506	12,642	-6 % (2016 - 2020)

Local companies

Key clusters	Microelectronics; Information and Communication Technology
Local companies (selected)	– IKK classic – AOK PLUS – Gesundheitskasse – Technische Werke Dresden GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office take-up in Dresden has been stable over the past years. But notwithstanding the downward trend, the vacant floor space total remains high due to the excess supply created in the 1990s. This explains why completion rates have been low in recent years. The biggest development project during the period 2007 through 2016 was the construction of the new employment office (completed in 2015) with about 11,600 sqm RA-C. Three redevelopment projects for properties of more than 5,000 sqm RA-C each are in the pipeline for the coming years. All other development projects involve smaller buildings.

* in RA-C

Flensburg (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	369,400 sqm	390,300 sqm	382,400 sqm
Office take-up*	7,000 sqm	3,000 sqm	7,650 sqm
New office space added*	3,500 sqm	0 sqm	3,210 sqm
Average rent (CBD)*	6.30 euros/sqm	6.70 euros/sqm	6.50 euros/sqm
Office vacancy rate*	20,000 sqm	20,000 sqm	20,750 sqm
Net initial yield	6.8 %	6.5 %	6.8 %
Office employment			
Number	18,239	19,159	18,229
Forecast		19,802 (2020)	3.4 % (2016 - 2020)
Sectors			
Public administration	3,379	3,519	1 % (2016 - 2020)
Other high-end corp. serv.	1,006	1,611	20 % (2016 - 2020)
TMT	2,575	1,129	-49 % (2016 - 2020)

Local companies

Key clusters: Healthcare and Services; Mechanical Engineering and Shipbuilding; Mobile Communication

Local companies (selected):

- Ev.-Lutherische Diakonissenanstalt Flensburg
- Zustellgesellschaft Schleswig-Holstein mbH
- medien holding:nord gmbh

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

With its moderate rent level, a low vacancy rate, and a volatile volume of new properties coming on-stream, Flensburg's market is small-scale and hardly speculative in character. No developments exceeding 5,000 sqm RA-C were completed during the analysed period. The development of the new district of Sonwik, while upgrading the city's office market as a whole, also led to the recent construction of high-end office accommodation, including e.g. the head office of the SHZ publishing house.

Freiburg (Breisgau) (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	1,233,700 sqm	1,347,400 sqm	1,289,500 sqm
Office take-up*	30,000 sqm	20,000 sqm	23,300 sqm
New office space added*	6,300 sqm	23,640 sqm	15,010 sqm
Average rent (CBD)*	9.30 euros/sqm	11.00 euros/sqm	10.30 euros/sqm
Office vacancy rate*	15,000 sqm	19,000 sqm	16,000 sqm
Net initial yield	6.3 %	5.0 %	6.0 %
Office employment			
Number	52,891	64,650	58,834
Forecast		69,096 (2020)	6.9 % (2016 - 2020)
Sectors			
Public administration	8,514	10,235	7 % (2016 - 2020)
Other high-end corp. serv.	4,897	6,393	12 % (2016 - 2020)
TMT	6,920	6,994	-2 % (2016 - 2020)

Local companies

Key clusters: Healthcare; BioTech

Local companies (selected):

- Regionalverbund kirchlicher Krankenhäuser
- TDK-Micronas GmbH
- badenova AG & Co. KG

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office market of Freiburg is relatively manageable and small in scale. The market action is rarely speculative in character, and largely dominated by one-off projects. The biggest property development between 2007 and 2016 was the construction of the new administrative building of the Rudolf Haufe Verlag publishing house with around 16,800 sqm RA-C. Large-scale developments projected for the coming years include the completion of the first construction stage of city hall and the construction of the new head office of the Volksbank cooperative bank.

* in RA-C

Göttingen

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	687,900 sqm	702,900 sqm	695,800 sqm
Office take-up*	9,000 sqm	5,000 sqm	8,300 sqm
New office space added*	6,400 sqm	2,000 sqm	2,750 sqm
Average rent (CBD)*	7.50 euros/ sqm	8.10 euros/ sqm	7.80 euros/ sqm
Office vacancy rate*	12,000 sqm	14,000 sqm	13,700 sqm
Net initial yield	7.3 %	6.6 %	7.1 %

Office employment

Number	40,961	45,150	43,086
Forecast	46,364 (2020)		2.7 % (2016 - 2020)
Sectors			
Public administration	4,569	4,493	-3 % (2016 - 2020)
Other high-end corp. serv.	3,020	5,222	21 % (2016 - 2020)
TMT	6,444	5,708	-10 % (2016 - 2020)

Local companies

Key clusters	Scientific Research; Measurement and Control Technology; Photonics
Local companies (selected)	– Georg-August-Universität Göttingen Stiftung Öffentliche Rechts Universitätsmedizin – Sartorius AG – Novelis Deutschland GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office market is dominated by owner-occupiers belonging in the fields of research and teaching as well as the public administration sector. The market action documented throughout the years has been predominantly small-scale in character. None of the building projects registered between 2007 and 2016 involved more than 5,000 sqm RA-C. The single largest project is the expansion of the Sartorius administrative building of about 25,000 sqm RA-C, which is intended for owner-occupancy and scheduled to be completed by mid-2018.

Kassel (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	1,047,500 sqm	1,146,700 sqm	1,098,000 sqm
Office take-up*	11,000 sqm	13,000 sqm	14,850 sqm
New office space added*	2,110 sqm	14,250 sqm	12,472 sqm
Average rent (CBD)*	5.50 euros/ sqm	6.80 euros/ sqm	6.20 euros/ sqm
Office vacancy rate*	75,000 sqm	52,000 sqm	58,900 sqm
Net initial yield	6.8 %	6.0 %	6.7 %

Office employment

Number	44,373	49,419	47,326
Forecast	49,977 (2020)		1.1 % (2016 - 2020)
Sectors			
Public administration	8,494	8,375	-6 % (2016 - 2020)
Other high-end corp. serv.	4,316	7,279	21 % (2016 - 2020)
TMT	3,246	3,249	-8 % (2016 - 2020)

Local companies

Key clusters	Renawable Energies
Local companies (selected)	– K+S Aktiengesellschaft – Vitos GmbH – Wegmann Unternehmens-Holding GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office real estate market in Kassel is strongly defined by public and industrial administrative functions. Most of the market action, however, is need-driven and rarely ever speculative. The largest construction project between 2007 and 2016 was the new finance centre of the state of Hesse (about 17,800 sqm RA-C) which was finished in 2008. Additional developments will go ahead before 2020, including the construction of the new IWES research buildings of about 5,000 sqm RA-C and the construction of the new employment office in Kassel of about 7,000 sqm RA-C.

* in RA-C

Koblenz

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	922,648 sqm	992,728 sqm	963,576 sqm
Office take-up*	20,000 sqm	15,000 sqm	19,800 sqm
New office space added*	16,300 sqm	2,000 sqm	11,320 sqm
Average rent (CBD)*	7.50 euros/ sqm	8.00 euros/ sqm	7.90 euros/ sqm
Office vacancy rate*	37,000 sqm	32,000 sqm	38,300 sqm
Net initial yield	7.0 %	6.5 %	6.9 %

Office employment

Number	37,899	39,678	38,523
Forecast	40,315 (2020)		1.6 % (2016 - 2020)
Sectors			
Public administration	8,762	8,651	-2 % (2016 - 2020)
Other high-end corp. serv.	2,947	3,071	6 % (2016 - 2020)
TMT	3,197	3,208	6 % (2016 - 2020)

Local companies

Key clusters	IT; Logistics; Scientific Research
Local companies (selected)	– Debeka Lebensversicherungsverein – Bundesministerium für Verteidigung – CompuGroup Medical SE

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office market in Koblenz is characterised by the public administration and healthcare sectors, as well as by the finance, lending and insurance industry. Large-scale property developments have become rare – exceptions including the construction of the new Koblenz university of applied sciences (about 20,000 sqm RA-C; completed in 2009), the Debeka insurance services building (about 6,000 sqm RA-C, completed in 2010) and the new civil justice centre (about 12,000 sqm RA-C). No development projects are in the pipeline for the coming years.

Leipzig (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	2,741,378 sqm	2,713,684 sqm	2,755,438 sqm
Office take-up*	85,000 sqm	97,000 sqm	91,850 sqm
New office space added*	4,200 sqm	3,800 sqm	9,445 sqm
Average rent (CBD)*	7.50 euros/ sqm	9.40 euros/ sqm	8.20 euros/ sqm
Office vacancy rate*	720,000 sqm	310,000 sqm	509,300 sqm
Net initial yield	6.3 %	5.0 %	6.0 %

Office employment

Number	93,136	113,645	102,727
Forecast	124,354 (2020)		9.4 % (2016 - 2020)
Sectors			
Public administration	11,932	11,247	-9 % (2016 - 2020)
Other high-end corp. serv.	11,853	17,285	21 % (2016 - 2020)
TMT	12,028	15,505	13 % (2016 - 2020)

Local companies

Key clusters	Automotive Industry; Renewable Energies; Healthcare
Local companies (selected)	– Leipziger Versorgungs- und Verkehrsgesellschaft mbH – Deutsche Rentenversicherung Mitteldeutschland – Universitätsklinikum Leipzig

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Leipzig's office market has done rather well over the past years. The declining but still relatively high vacancy rate has caused building activity to remain reticent. Current projects are predominantly earmarked for owner-occupancy or under development on the strength of forward commitments – such as the service centre of Deutsche Telekom with 9,000 sqm RA-C (to be completed in 2018) or the new office scheme for the German Biomass Research Centre (DBFZ).

* in RA-C

Leverkusen

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	619,359 sqm	660,636 sqm	646,804 sqm
Office take-up*	33,500 sqm	28,000 sqm	15,100 sqm
New office space added*	3,500 sqm	950 sqm	5,500 sqm
Average rent (CBD)*	6.50 euros/sqm	7.60 euros/sqm	7.00 euros/sqm
Office vacancy rate*	38,000 sqm	35,000 sqm	40,100 sqm
Net initial yield	6.2 %	5.8 %	6.2 %

Office employment

Number	23,007	26,310	24,827
Forecast	27,052 (2020)		2.8 % (2016 - 2020)
Sectors			
Public administ-ration	1,644	1,913	3 % (2016 - 2020)
Other high-end corp. serv.	2,470	1,753	-30 % (2016 - 2020)
TMT	2,894	3,306	3 % (2016 - 2020)

Local companies

Key clusters	Pharma Industry; Automotive Suppliers; Plastic Industry
Local companies (selected)	– Bayer AG – Covestro AG – Currenta GmbH & Co. OHG

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Due to the heavily industrialised character of the city, its office market is dominated by public and industrial administrative functions. It is also characterised by standard market action and dominated by owner-occupancy, apart from a few exceptions. In the time since 2016, two major development projects noticeably stimulated the market action, one being the Med 360°, the other the head office of the recently relocated health insurance company pronova BKK. The largest construction project of the past ten years created the new administrative building of Bayer Vital GmbH (about 21,500 sqm RA-C).

Münster

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	2,010,675 sqm	2,201,666 sqm	2,099,227 sqm
Office take-up*	62,000 sqm	60,000 sqm	60,900 sqm
New office space added*	41,330 sqm	36,740 sqm	26,599 sqm
Average rent (CBD)*	8.50 euros/sqm	10.00 euros/sqm	9.10 euros/sqm
Office vacancy rate*	110,000 sqm	67,000 sqm	88,650 sqm
Net initial yield	6.5 %	5.0 %	6.1 %

Office employment

Number	79,201	94,062	86,619
Forecast	100,194 (2020)		6.5 % (2016 - 2020)
Sectors			
Public administ-ration	15,425	15,598	-4 % (2016 - 2020)
Other high-end corp. serv.	4,052	5,105	7 % (2016 - 2020)
TMT	9,674	12,837	13 % (2016 - 2020)

Local companies

Key clusters	Food Industry; Mechanical Engineering; Health Economy
Local companies (selected)	– Alexianer GmbH – STRABAG Proberty and Facility Service GmbH – Universitätsklinikum Münster

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Münster has the most important office market in the region. The office market of Münster is generally small-scale and dominated by local occupiers. The largest building project of the last ten years were the office high-rises of Deutsche Telekom, which were completed as early as 2007, and which delivered about 27,000 sqm RA-C. Two of the most striking future projects are the schemes Quartier 21 with around 7,500 sqm RA-C and Hafentor with around 10,000 sqm RA-C.

* in RA-C

Osnabrück

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	843,800 sqm	910,800 sqm	875,500 sqm
Office take-up*	25,000 sqm	15,000 sqm	26,600 sqm
New office space added*	11,900 sqm	8,000 sqm	9,780 sqm
Average rent (CBD)*	6.60 euros/ sqm	8.30 euros/ sqm	7.60 euros/ sqm
Office vacancy rate*	30,000 sqm	33,000 sqm	33,315 sqm
Net initial yield	6.4 %	5.7 %	6.4 %
Office employment			
Number	35,588	38,632	37,356
Forecast	39,332 (2020)		1.8 % (2016 - 2020)
Sectors			
Public administration	4,960	4,841	-4 % (2016 - 2020)
Other high-end corp. serv.	2,827	4,487	19 % (2016 - 2020)
TMT	1,960	2,238	4 % (2016 - 2020)

Local companies

Key clusters	Steel and Metal Industry; Paper Industry; Automotive Industry
Local companies (selected)	– Hellmann Worldwide Logistics GmbH & Co. KG – Kämmerer Paper GmbH – Paracelsus-Kliniken Deutschland GmbH & Co. KGaA

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The building activity in Osnabrück is on a moderate level and defined both by owner-occupancy and prelet new buildings. The next few years are expected to bring a constant level of construction, specifically on the former barracks grounds.

Regensburg (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	944,729 sqm	1,035,920 sqm	992,910 sqm
Office take-up*	30,000 sqm	20,000 sqm	25,000 sqm
New office space added*	32,087 sqm	7,500 sqm	14,533 sqm
Average rent (CBD)*	7.30 euros/ sqm	9.30 euros/ sqm	8.20 euros/ sqm
Office vacancy rate*	80,000 sqm	57,000 sqm	66,900 sqm
Net initial yield	6.1 %	5.1 %	5.8 %
Office employment			
Number	43,775	52,124	47,236
Forecast	56,377 (2020)		8.2 % (2016 - 2020)
Sectors			
Public administration	5,618	6,192	2 % (2016 - 2020)
Other high-end corp. serv.	4,731	6,128	18 % (2016 - 2020)
TMT	5,494	7,218	13 % (2016 - 2020)

Local companies

Key clusters	Automotive Industry; Life Science; Logistics; Energy
Local companies (selected)	– Barmherzige Brüder gemeinnützige Krankenhaus GmbH – Maschinenfabrik Reinhausen GmbH – Bayerische Staatsforsten AöR

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The market action in Regensburg in recent years has been characterised by successive one-off developments in response to actual demand. Among the largest building projects undertaken in recent years was the new plant of the Bayernwerk utility company (completed: 2011, floor area: about 20,000 sqm RA-C). The Marina Quartier development includes 15,000 sqm RA-C in office units in addition to residential units, to be completed by 2018.

* in RA-C

Rostock (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	956,700 sqm	1,001,300 sqm	976,900 sqm
Office take-up*	25,000 sqm	11,000 sqm	14,300 sqm
New office space added*	4,800 sqm	6,800 sqm	6,500 sqm
Average rent (CBD)*	7.80 euros/ sqm	8.40 euros/ sqm	8.10 euros/ sqm
Office vacancy rate*	90,000 sqm	70,000 sqm	82,300 sqm
Net initial yield	6.6 %	6.0 %	6.5 %
Office employment			
Number	36,132	40,291	38,273
Forecast	41,125 (2020)		2.1 % (2016 - 2020)
Sectors			
Public administration	6,828	6,487	-8 % (2016 - 2020)
Other high-end corp. serv.	5,049	6,012	8 % (2016 - 2020)
TMT	1,836	2,148	2 % (2016 - 2020)

Local companies

Key clusters	Maritime Economy; Life Science; Logistics; Aviation and Aerospace
Local companies (selected)	– AIDA Cruises - German Branch of Costa Crociere S.p.A. – MEYER NEPTUN GmbH – RVV Rostocker Versorgungs- und Verkehrsgesellschaft GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Being one of the economic centres of Mecklenburg-West Pomerania, the city of Rostock represents the region's office hub, with nearly 1 million euros of office space. In addition to the small-scale and owner-occupier-oriented market, some speculative properties were placed on the market, mainly in very central waterfront locations, such as the Karavelle Quartier complex. Its first construction stage of 5,000 sqm RA-C was completed in 2011, while the third stage is expected to be completed by 2018.

Schwerin

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	702,000 sqm	720,700 sqm	713,400 sqm
Office take-up*	7,500 sqm	3,000 sqm	6,750 sqm
New office space added*	4,800 sqm	0 sqm	2,800 sqm
Average rent (CBD)*	5.60 euros/ sqm	6.80 euros/ sqm	6.40 euros/ sqm
Office vacancy rate*	90,000 sqm	80,000 sqm	83,600 sqm
Net initial yield	7.7 %	7.1 %	7.4 %
Office employment			
Number	23,173	22,679	22,551
Forecast	22,530 (2020)		-0.7 % (2016 - 2020)
Sectors			
Public administration	6,538	5,926	-4 % (2016 - 2020)
Other high-end corp. serv.	1,959	1,882	-4 % (2016 - 2020)
TMT	2,054	1,727	-9 % (2016 - 2020)

Local companies

Key clusters	Mechanical Engineering; Automotive Industry; Synthetic Material; Aviation
Local companies (selected)	– HELIOS Kliniken Schwerin GmbH – Stadtwerke Schwerin GmbH – AWO-Soziale Dienste gGmbH-Westmecklenburg

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The office market action in Schwerin, which is the state capital and thus home to numerous state, regional and local authorities, is predictably defined by public administration, education and teaching and other administrative functions. Virtually no large-scale projects were developed here during the past ten years. Moreover, we are aware of only one property development before 2020 – the construction of the new civil justice centre of 4,000 sqm RA-C.

* in RA-C

Stralsund (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	204,400 sqm	209,400 sqm	206,600 sqm
Office take-up*	3,500 sqm	5,500 sqm	4,350 sqm
New office space added*	1,300 sqm	0 sqm	760 sqm
Average rent (CBD)*	5.00 euros/sqm	6.10 euros/sqm	5.50 euros/sqm
Office vacancy rate*	25,000 sqm	26,000 sqm	26,500 sqm
Net initial yield	7.5 %	7.3 %	7.5 %

Office employment

Number	10,866	10,066	10,406
Forecast	9,858 (2020)		-2.1 % (2016 - 2020)
Sectors**			
Public administration	5,555	4,397	-13 % (2016 - 2020)
Other high-end corp. serv.	1,867	2,093	9 % (2016 - 2020)
TMT	960	564	-28 % (2016 - 2020)

Local companies

Key clusters	Building and Construction Industry; IT; Tourism and Trade
Local companies (selected)	– HELIOS Hanseklinikum Stralsund GmbH – arvato direct services Stralsund GmbH – SPIEGELBANK Glas- und Gebäudereinigung GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

Since Stralsund is the seat of various regional and state authorities, the city's office market of around 210,000 sqm RA-C is mainly of regional significance. The local building activity largely follows demand, and is dominated by owner-occupiers. For the entire period of 2007 through 2020, there is only one construction project of over 5,000 sqm RA-C on record – the Quartier 17 combination residential/commercial building that was completed in 2013. Going forward, it is safe to assume that construction measures will largely be driven by actual demand.

* in RA-C ** Daten liegen nur für den Landkreis Vorpommern-Rügen vor

Ulm (Demire asset)

Key figures office market (Source: RIWIS)

	2007	2016	Average 2007 - 2016
Total office stock*	784,900 sqm	867,500 sqm	816,500 sqm
Office take-up*	15,000 sqm	15,000 sqm	16,500 sqm
New office space added*	9,800 sqm	8,600 sqm	12,700 sqm
Average rent (CBD)*	9.80 euros/sqm	11.20 euros/sqm	10.50 euros/sqm
Office vacancy rate*	34,000 sqm	35,000 sqm	32,400 sqm
Net initial yield	5.9 %	5.5 %	5.9 %

Office employment

Number	36,461	43,025	39,668
Forecast	45,912 (2020)		6.7 % (2016 - 2020)
Sectors			
Public administration	4,145	4,627	6 % (2016 - 2020)
Other high-end corp. serv.	3,982	4,389	7 % (2016 - 2020)
TMT	6,013	9,586	20 % (2016 - 2020)

Local companies

Key clusters	Mechanical Engineering and Metal Construction; IT; Pharma; Healthcare Industry
Local companies (selected)	– Müller Holding Ltd. & Co. KG – SCHWENK Limes GmbH & Co. KG – Wieland-Werke Aktiengesellschaft

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

The market action in Ulm has been paced by the lively development of new office and research buildings, primarily in the office centres and in development areas on the town's periphery. The largest single construction project was Science Park II, which was completed in 2014 and included about 60,000 sqm RA-C – highlighting the prominent role that the research sector plays for the city. Several construction projects upward of 5,000 sqm RA-C are scheduled for the coming years, a case in point being the "Das Y" commercial building of about 6,900 sqm RA-C.

Wuppertal

Key figures office market (Source: RIWIS)	2007	2016	Average 2007 - 2016
Total office stock*	1,570,200 sqm	1,611,600 sqm	1,594,500 sqm
Office take-up*	27,500 sqm	15,000 sqm	26,650 sqm
New office space added*	1,970 sqm	9,850 sqm	6,070 sqm
Average rent (CBD)*	6.70 euros/ sqm	7.90 euros/ sqm	7.40 euros/ sqm
Office vacancy rate*	91,000 sqm	85,000 sqm	91,600 sqm
Net initial yield	6.8 %	6.4 %	6.8 %
Office employment			
Number	51,971	52,380	51,773
Forecast	51,592 (2020)		-1.5 % (2016 - 2020)
Sectors			
Public administration	7,424	8,230	3 % (2016 - 2020)
Other high-end corp. serv.	2,480	2,745	6 % (2016 - 2020)
TMT	2,496	3,380	7 % (2016 - 2020)

Local companies	
Key clusters	Automotive Industry; Health Care; Metal Working; Product Development
Local companies (selected)	– Vorwerk & Co. KG – Aug. Mittelsten Scheid & Söhne Gesellschaft mit beschränkter Haftung – Delphi Deutschland GmbH

Projects of new construction (selected) from 5,000 sqm RA-C (07 - 20)

With a floor space stock of about 1.6 million sqm, Wuppertal has the second-largest office market among Germany's Class C cities. The biggest employer in town is the Vorwerk Group, which has its head office here, along with those of several group companies. The largest single construction project of the past decade was the new main administrative building of the Barmenia insurance company (about 10,000 sqm RA-C, completed in 2010).

* in RA-C

ANNEX

General Classification of Cities

Overview A-, B-, C- and D-Cities							
City	Category	City	Category	City	Category	City	Category
Berlin	A	Lübeck	C	Gelsenkirchen	D	Neuss	D
Düsseldorf	A	Magdeburg	C	Gera	D	Oberhausen	D
Frankfurt (Main)	A	Mainz	C	Gießen	D	Offenburg	D
Hamburg	A	Mönchengladbach	C	Görlitz	D	Oldenburg	D
Köln	A	Mülheim (Ruhr)	C	Göttingen	D	Paderborn	D
München	A	Offenbach (Main)	C	Greifswald	D	Passau	D
Stuttgart	A	Osnabrück	C	Gütersloh	D	Pforzheim	D
		Potsdam	C	Hagen	D	Plauen	D
Bochum	B	Regensburg	C	Halberstadt	D	Ratingen	D
Bonn	B	Rostock	C	Halle (Saale)	D	Ravensburg	D
Bremen	B	Saarbrücken	C	Hamm	D	Recklinghausen	D
Dortmund	B	Wuppertal	C	Hanau	D	Remscheid	D
Dresden	B			Heilbronn	D	Reutlingen	D
Duisburg	B	Albstadt	D	Herne	D	Rosenheim	D
Essen	B	Aschaffenburg	D	Hildesheim	D	Salzgitter	D
Hannover	B	Bamberg	D	Ingolstadt	D	Schweinfurt	D
Karlsruhe	B	Bayreuth	D	Jena	D	Schwerin	D
Leipzig	B	Bergisch Gladbach	D	Kaiserslautern	D	Siegen	D
Mannheim	B	Bottrop	D	Kassel	D	Solingen	D
Münster	B	Brandenburg (Hl.)	D	Kempten (Allgäu)	D	Stralsund	D
Nürnberg	B	Bremerhaven	D	Koblenz	D	Suhl	D
Wiesbaden	B	Chemnitz	D	Konstanz	D	Trier	D
		Coburg	D	Krefeld	D	Tübingen	D
Aachen	C	Cottbus	D	Landshut	D	Ulm	D
Augsburg	C	Dessau	D	Leverkusen	D	Villingen-Schwenn.	D
Bielefeld	C	Detmold	D	Lüdenscheid	D	Weimar	D
Braunschweig	C	Düren	D	Ludwigshafen	D	Wilhelmshaven	D
Darmstadt	C	Eisenach	D	Lüneburg	D	Witten	D
Erfurt	C	Flensburg	D	Marburg	D	Wolfsburg	D
Erlangen	C	Frankfurt (Oder)	D	Minden	D	Würzburg	D
Freiburg	C	Friedrichshafen	D	Moers	D	Zwickau	D
Heidelberg	C	Fulda	D	Neubrandenburg	D		
Kiel	C	Fürth	D	Neumünster	D		

Classification of Locations

The cities picked by bulwiengesa AG for the RIWIS database are grouped into 4 categories depending on their functional significance for the international, national, regional or local real estate market.

Class A cities: Germany's leading centres, having national and in some cases international significance. Large functional markets across segments.

Class B cities: Major cities of national and regional significance.

Class C cities: Important cities of regional and to some extent national significance, and serving as centre for the surrounding region.

Class D cities: Small towns of regional focus with a central role for the directly surrounding countryside; marked by lower market volume and take-up.

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