

German office markets in 2005

The Colliers PropertyPartners market report for the year 2005 covers the office property markets Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart.

Take-up

The office markets Berlin, Düsseldorf, Frankfurt and Munich improved their annual figures in comparison with the previous year. The surprising winner here was Frankfurt. Hesse's financial metropolis achieved a volume of ca. 489,000 m² for the year with the largest increase in take-up of ca. 167,000 m² (+ 52 %). Berlin saw ca. 92,000 m² (+ 22 %) more take-up than in 2004 with ca. 515,000 m² of office space. Munich's letting performance of ca. 579,000 m² represented ca. 52,400 m² (+ 10 %) more than the previous year. With its take-up of office space of ca. 243,000 m² Düsseldorf improved by ca. 8,000 m². Stuttgart fell short of its performance of the previous year by ca. 8,200 m² (- 5 %) with its take-up of ca. 145,000 m². In Hamburg the volume of ca. 420,000 m² represented take-up of around 25,000 m² (- 6 %) less office space taken up.

In Berlin and Frankfurt leases for units of 5,000 m² and over formed the largest proportion of the total take-up of office space. In the national capital this size category achieved a share of 42 % and in the city on the Main a share of 39 % of the total. In Düsseldorf there was a roughly equal distribution of leases for units up to 500 m², between 2,000 m² and 5,000 m² and above, with 23 % and 24 % respectively. Leases for units up to 500 m² had the lion's share in Munich with 28 %. In Stuttgart the leases for the smallest and the largest units were the most frequent, with 24 % and 25 % respectively of the total. The size categories in Hamburg show an almost even picture.

The public administration and associations were the sector with the highest take-up with a share of 35 % and 20 % in Berlin and Stuttgart respectively. In Düsseldorf it was the sector

business-to-business services, media and advertising with a share of 27 %. In Frankfurt and Hamburg the financial services companies and banks and insurance companies cornered the largest share with 20 % and 17 % respectively. The most active sector in Munich was the EDP telecommunications sector with a share of 23 %.

Rents

The top rent in Berlin, Frankfurt and Hamburg has risen. Compared with the previous year it rose in the city on the Spree by 2.50 € to 23.50 €/m²/month, in Mainhattan by 2.50 € to 34.00 €/m²/month and in the Hansa city by 1.00 € to 20.90 €/m²/month. The top rent in Munich remained unchanged at 28.00 €/m²/month, as it did in Stuttgart at 17.00 €/m²/month. In Düsseldorf it dropped by 2.00 € to 21.00 €/m²/month.

Only in Munich did the average rent rise. In the Isar metropolis it reached around 0.70 € more than the previous year with 13.27 €/m²/month. It remained more or less unchanged in Frankfurt with 14.50 €/m²/month, in Hamburg with 11.97 €/m²/month and in Stuttgart with 10.75 €/m²/month. The average rent in Berlin went down by 1.43 € to 10.16 €/m²/month and declined in Düsseldorf by 1.20 € to 12.40 €/m²/month.

In Frankfurt most leases were signed for units in the range between 10.00 €/m²/month and 12.50 €/m²/month. In all other cities leases were signed most frequently in the price category up to 10.00 €/m²/month. At the same time this price category contributed most to the take-up of office space in the other five cities. In the city on the Main on the other hand leases for units of 20.00 €/m²/month and over provided the largest share of the take-up.

Vacancy

In Berlin, Hamburg and Munich the total office space vacancy* has dropped in comparison with the previous year. Including sublet space the area of space standing vacant in the capital decreased by ca. 184,000 m² (- 11 %) to ca. 1,546,000 m². In the Alster city it went down by

ca. 77,000 m² (- 7 %) to ca. 1,043,000 m² and in the Bavarian capital by ca. 90,700 m² to ca. 1,703,000 m². In the three other cities vacancy increased only slightly. In Düsseldorf it rose by ca. 7,000 m² (+ 1.0 %) to ca. 760,000 m², in Frankfurt by only ca. 5,000 m² (+ 0.3 %) to 2,105,000 m² and in Stuttgart by ca. 6,200 m² (+ 1.6 %) to ca. 406,000 m².

*To facilitate comparison vacancy figures are given including sublet space.

If one makes a distinction between vacant space and space available for subletting it can be seen that in Berlin, Hamburg, Munich and Stuttgart true vacancy has gone down. There was also a decrease in the supply of space available for subletting in all cities except for Stuttgart.

If we rank the cities according to their vacancy rate, including space available for subletting, the following picture emerges. The top position is taken by Frankfurt with a vacancy rate of 16.7 %. Düsseldorf follows with a rate of 10.9 %. Third place goes to Berlin with a rate of 8.6 %. Almost tying for fourth place are the vacancy rates of Munich with 8.1 % and Hamburg with 8.0 %. Stuttgart shows the lowest rate with 5.6 %.

PropertyIndex

The PropertyIndex illustrates the development in the supply and demand situation in the office market. It shows the relationship between the supply in the next 12 months and the take-up of the last 12 months. (Expressed more simply, the index is a figure stating how many years are needed to let all the space available at the current rate of letting.)

According to this the office markets Düsseldorf and Stuttgart show a supply of around three and a half times the demand. In Munich and Berlin the supply is approximately three times the demand. For Frankfurt the figure is 2.7 and for Hamburg 2.6.

New enquiries

In Hamburg and Munich new enquiries for ca. 690,000 m² and ca. 630,000 m² respectively of office space were registered in 2005. The level of newly registered enquiries in this period stood at around 480,000 m² in Düsseldorf. The volume of new enquiries in Berlin reached almost 300,000 m². Frankfurt registered around 220,000m m² and Stuttgart around 135,000 m².

Conclusion and forecasts

The Berlin office space market was almost able to draw level with the record year 2000 in 2005. In spite of this satisfactory development a lasting upswing cannot be assumed in the estimation of the Berlin property specialists Geske Immobilien GmbH. The previously strong demand of public administrations will decline considerably in the medium term, probably even next year. Although around half of Berlin companies see the economic development in a positive light it remains to be seen whether other sectors can make up for this loss in demand. The strong increase in demand from services sector companies has had the result that this sector is the second most important user of office space. And the trend is continuing. Particularly at the end of the year new enquiries for units in the size category between 500 m² and 2,000 m² increased considerably. These prospective tenants wish to relocate in the first two quarters of 2006, which speaks for a mildly positive forecast for next year. The higher top rent can be explained with the strong rise in the letting of small units to services sector companies in good to very good locations in the fourth quarter of 2005.

The last two strong quarters in 2005 were able to achieve the hoped-for slight increase in take-up compared with the previous year. With this the opinion of the Düsseldorf Colliers partner Trombello Kölbel Immobilienconsulting GmbH is that the balance sheet for the whole is worth looking at. Whereas rents in the submarkets Harbour Area, Kennedydamm and Düsseldorf North decreased slightly once more towards the end of last year they have risen in the city centre, around Grafenburger Allee and in Düsseldorf South. The vacancy

may have risen slightly compared with 2004 but shows itself in retreat in the fourth quarter of 2005. For the new year the outlook looks positive both in the number and the size categories of new enquiries which have increased, especially from the last two quarters of last year. Overall around 70,000 m² of new office space will be completed in 2006. Of this 95 % are already pre-let. Vacancy will decline further and the supply of space available for subletting will also shrink. The continuing large supply of office space will hardly allow any considerable increases in rents however.

In the year 2005 the take-up of office space in Frankfurt am Main achieved a considerable increase in comparison with the previous year. A considerable part of this, according to information from the Colliers partner Schön & Lopez Schmitt GmbH, is accounted for by large lettings, so that a total area of around 110,000 m² is divided between just six leases. The inner city (Banking District, Westend and City) provided around half of the lettings. Vacancy has settled at a constant level since the beginning of the year. Since the figure was 50,000 m² higher at the beginning of the year 2005, hardly any office space has been absorbed by the market over the course of the year.

That the Hamburg office market is active despite a slightly lower take-up of space can be seen among other things, in the view of the Colliers partners Grossmann & Berger GmbH, in the significant rise in the number of leases signed (+ 30 %). Over a third of the total take-up of office space (36 %) is accounted for by the submarket City. The top rent has again risen over the 20.00 €/m²month mark for the first time since two years. This is due in particular to leases in the top locations of the city and the Harbour Area. Not least it was the slowly rising number of completions of new buildings which again stopped the drop in the supply of space in the Hansa city in the fourth quarter of 2005. Demand for office space was decided last year both by the sector banks and insurances and in particular by companies in the creative fields of advertising and multi-media and also by shipping companies.

For the year 2005 the Munich Colliers partner Immobilien-Kontor Schauer & Schöll GmbH has registered lively demand for good and very good office locations, which has led to a considerable increase in take-up in the top rent segments. The market was able once more to show a now remarkable net absorption in the amount of around 110,000 m². Stable rents, a decline in the area of vacant space and an enormous new enquiry potential allow the Bavarian metropolis to start the new year with justified hope.

The Stuttgart office market remained a little below expectations. The decline in pure vacancy will continue because of the low rate of completions and the already high level of pre-letting. In 2006 ca. 44,000 m² of office space will be completed. Of this around 40% are already pre-let. In the year following, the pre-letting quota of the 35,000 m² to be completed then stands at 94%. The Stuttgart Colliers partner Bräutigam & Krämer GmbH & Co. KG assumes that there will be no major changes, particularly in the rent level in the inner city and City submarket.