

# FWC 17

## SIOR Global Session: Doing Business Internationally

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REALTORS®

# CEE and Poland market overview

Germany

Poland

Belarus

Russia

Czech Republic

Ukraine

Slovakia

Hungary

Romania

Bulgaria

# About AXI IMMO

49 

professional employees

8 

departments

3 

offices



No.1

independent,  
real estate agency  
in Poland

4.3m ft<sup>2</sup>

of leased industrial  
space in 2016

7 

prestigious awards

100% 

engagement



# CEE region Macroeconomic overview

90.6m 

Population

10% 

y-o-y investment growth  
in real estate in H1 2017

4% 

average GDP growth  
in H1 2017 – double  
the EU average

22nd 

place in World Bank 'Doing  
Business Report'  
over the last 10 years



237m ft<sup>2</sup>

of high quality office stock

258m ft<sup>2</sup>

of modern industrial stock

Attractive combination of competitive  
wages with high productivity

Stability and safety of doing business

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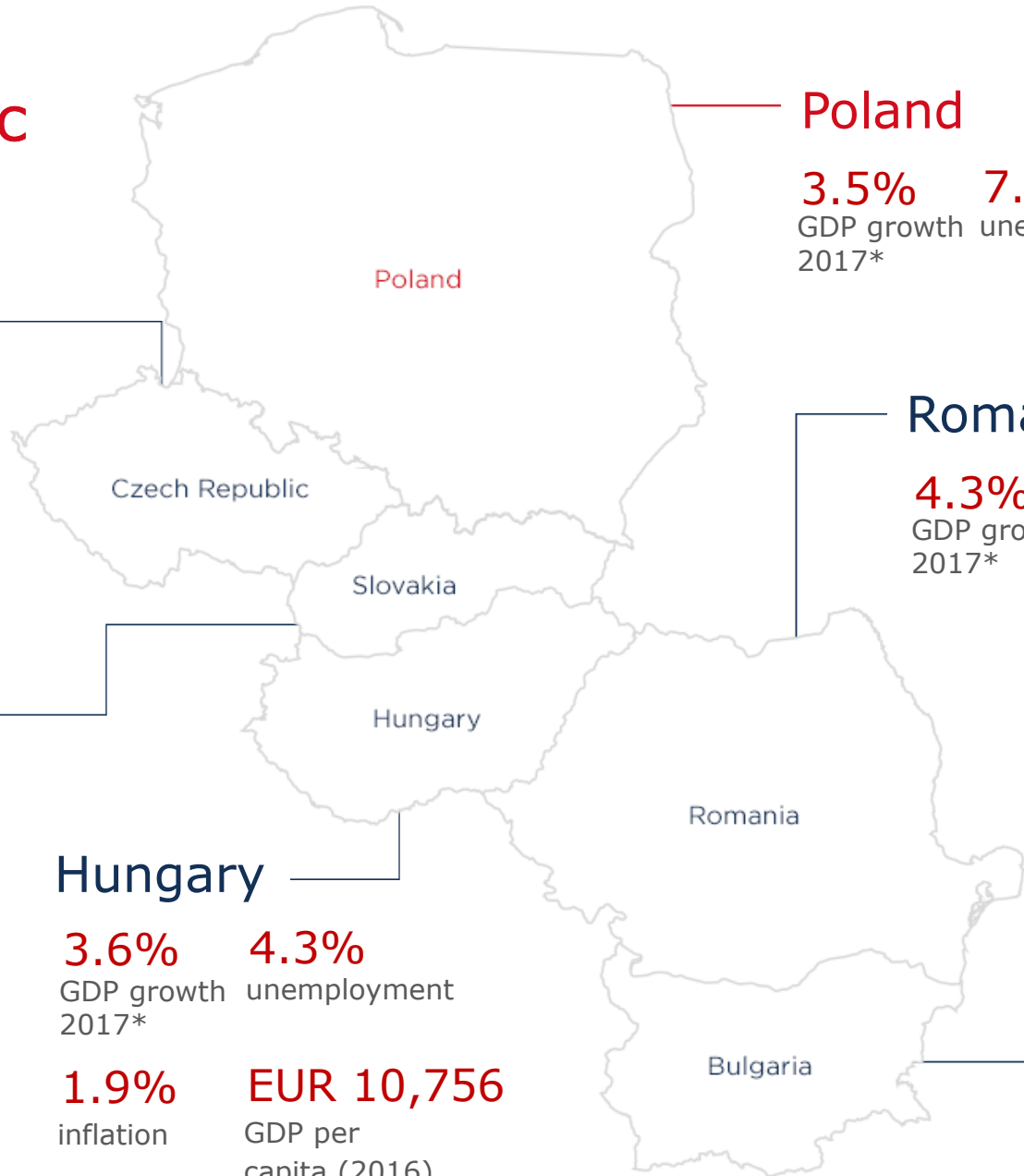
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Stability and safety of doing business

# CEE region Macroeconomic overview



## Poland

**3.5%** GDP growth 2017\*  
**7.1%** unemployment  
**1.7%** inflation  
**EUR 10,756** GDP per capita (2016)

## Czech Republic

**2.6%** GDP growth 2017\*  
**3.0%** unemployment

**1.7%** inflation  
**EUR 15,525** GDP per capita (2016)

## Romania

**4.3%** GDP growth 2017\*  
**5.3%** unemployment  
**0.9%** inflation  
**EUR 8,052** GDP per capita (2016)

## Slovakia

**3.0%** GDP growth 2017\*  
**8.7%** unemployment

**1.0%** inflation  
**EUR 14,021** GDP per capita (2016)

## Hungary

**3.6%** GDP growth 2017\*  
**4.3%** unemployment

**1.9%** inflation  
**EUR 10,756** GDP per capita (2016)

## Bulgaria

**2.9%** GDP growth 2017\*  
**6.3%** unemployment

**-0.5%** inflation  
**EUR 14,021** GDP per capita (2016)



# CEE cities – business and history

Prague



Warsaw



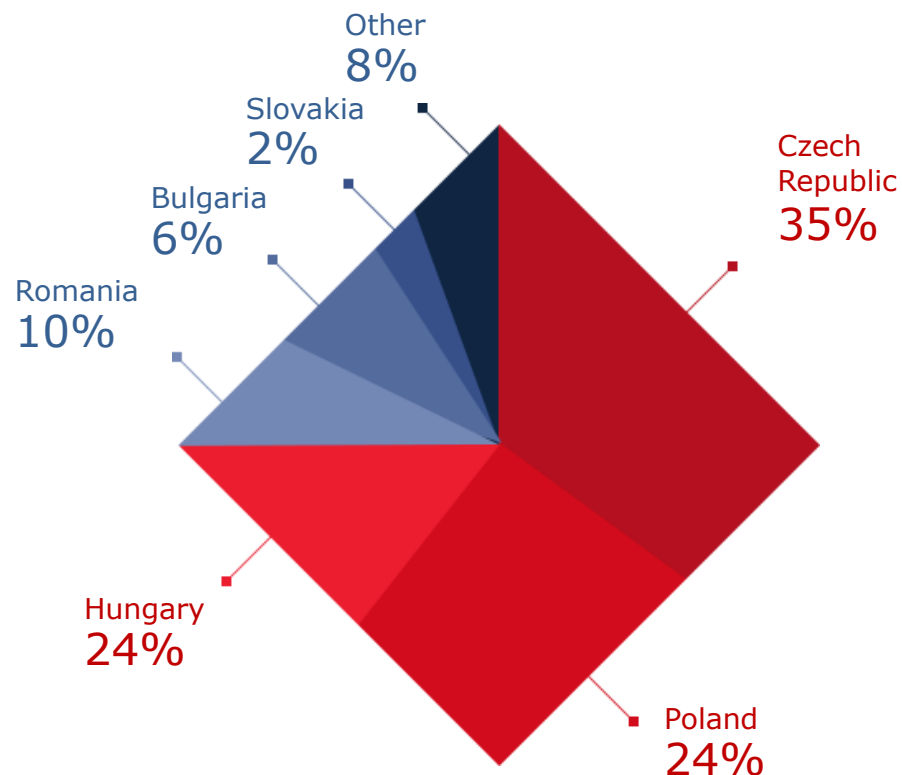
Budapest



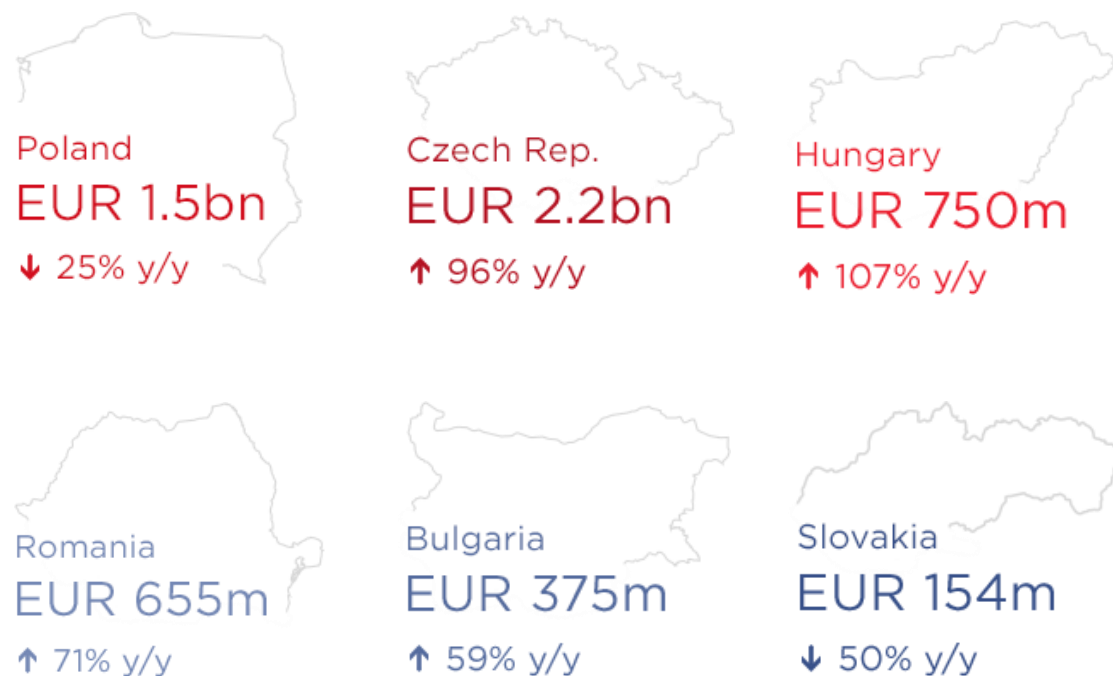
# Investment market in CEE

## EUR 6.3bn invested in CEE in H1 2017

Transaction structure in CEE H1 2017



Transaction volume in CEE countries H1 2017



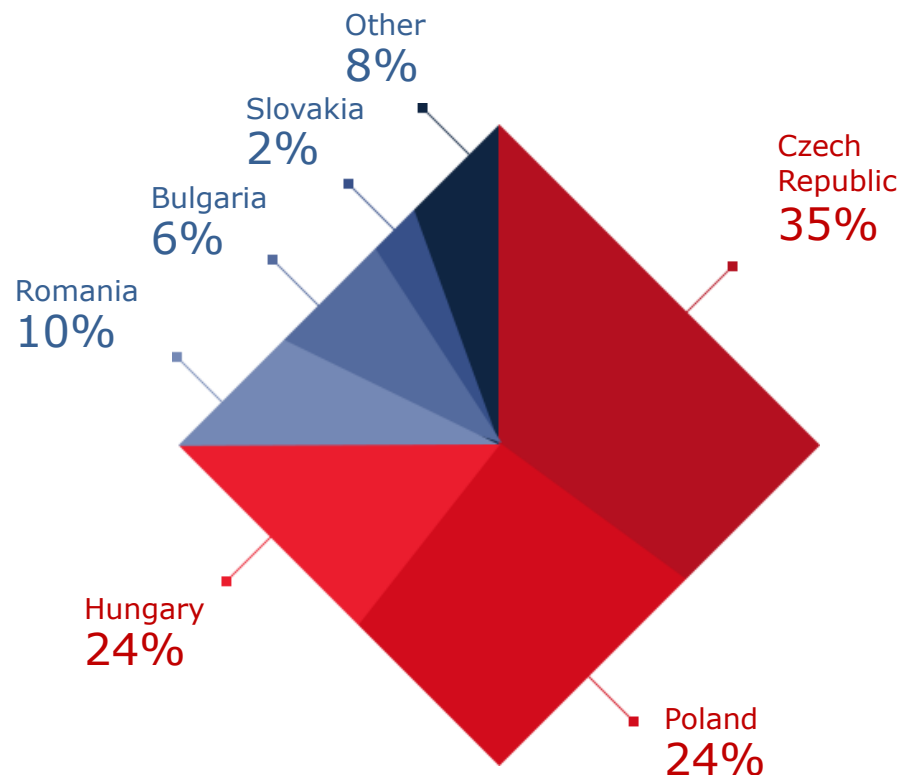
\*EUR 1 = USD 1.17



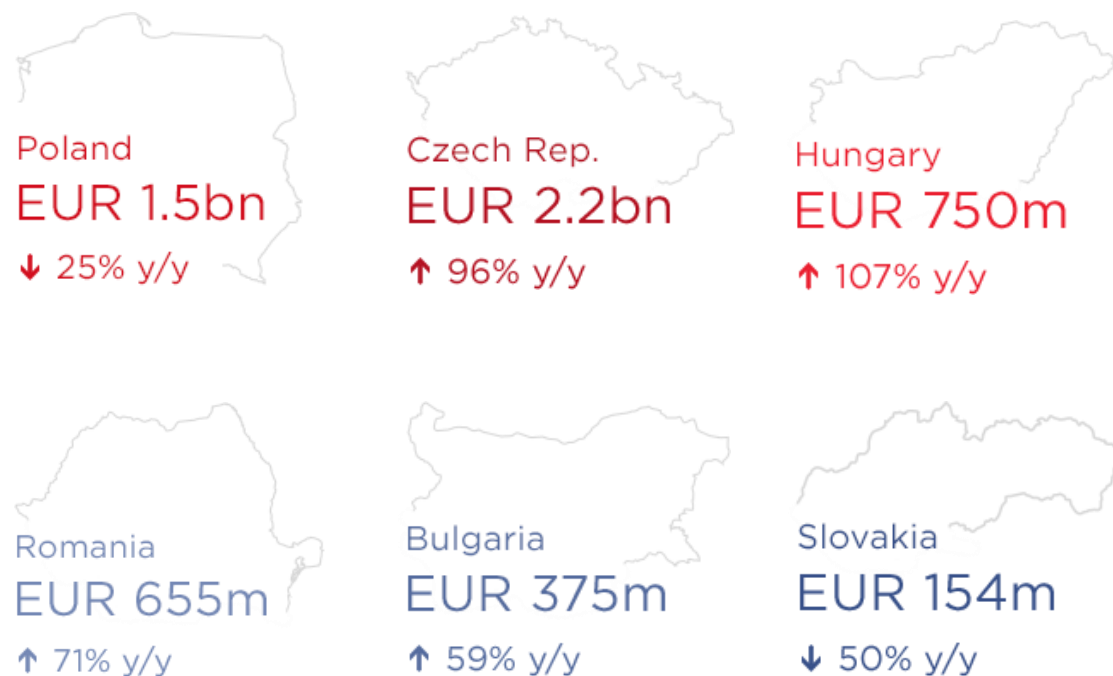
# Investment market in CEE

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Transaction volume in CEE countries H1 2017



\*EUR 1 = USD 1.17

# Poland market overview



# Stable economic fundamentals

**1.5%**

Banking reference interest rate

**3.34%**

10Y Treasury Bond yield

**3.5%**

GPD growth 2017\*



**EUR 1.052**

Average monthly gross salary (Jul '17)

**1.73%**

3M WIBOR\*\* (Aug '17)

**54.4%**

Public debt

**7.1%**

Unemployment rate (Sep'17)



**80%**

Increase in residential sales compared to the boom year of 2007

**6.8%**

Retail sales growth (Jul '17)

**1.7%**

Inflation rate (Aug '17)

**5th**

Place in Europe and 1st in CEE in EY European Attractiveness Survey 2017 (46 European countries take part in survey)

\*European Commission Forecast

\*\* WIBOR is equivalent to EIBOR or EUIBOR



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# Poland

Lakes



Cities with history



Mountains



# Office

## Market overview – H1 2017



Warsaw  
market

Stock:

**54.9m ft<sup>2</sup>**

Vacancy:

**13.9%**

Prime rents:

**EUR 22.9 -25.6**  
per ft<sup>2</sup>/year

Demand:

**3.7m ft<sup>2</sup>**

Under  
construction:

**8.07m ft<sup>2</sup>**

New supply  
forecast by the  
end of 2017:

**3.4m ft<sup>2</sup>**



Regional  
cities

Stock:

**44.9m ft<sup>2</sup>**

Vacancy:

**12.8%**

Rents:

**EUR 12.8 -15.6**  
per ft<sup>2</sup>/year

Demand:

**3.5m ft<sup>2</sup>**

Under  
construction:

**10.76m ft<sup>2</sup>**

New supply  
forecast by the  
end of 2017:

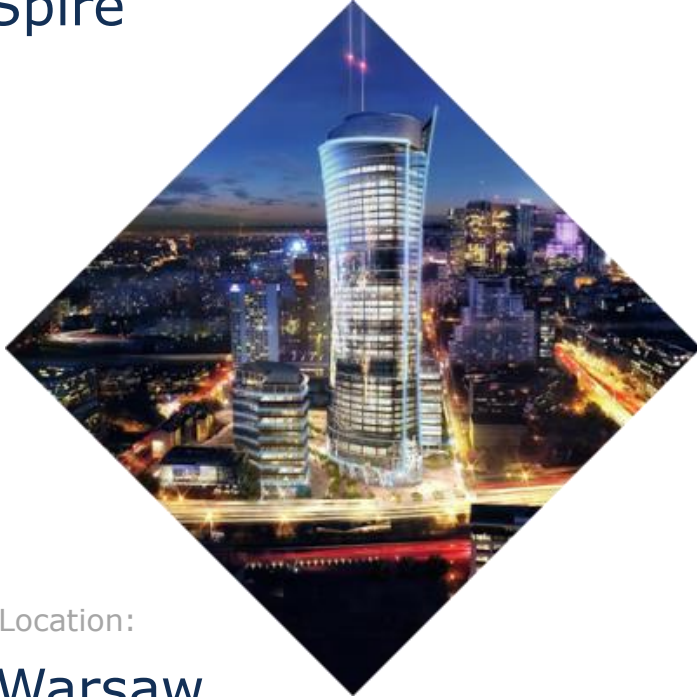
**3.5m ft<sup>2</sup>**



# Referral projects

## Office sector

### Warsaw Spire



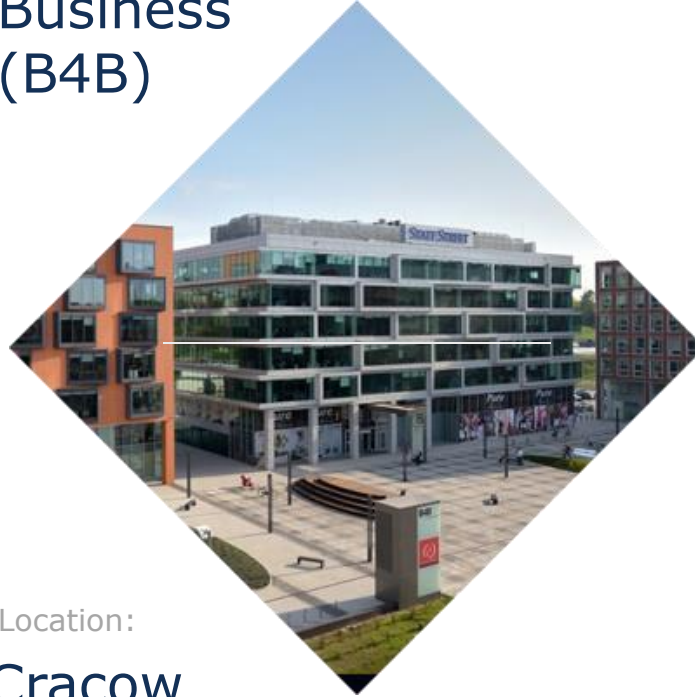
Location:

**Warsaw**

Total space:

**1.08m ft<sup>2</sup>**

### Bonarka for Business (B4B)



Location:

**Cracow**

Total space:

**1.02m ft<sup>2</sup>**

### Varso



Location:

**Warsaw**

Total space:

**2.24m ft<sup>2</sup>**



# Industrial Market overview – H1 2017



Industrial  
market  
Poland

Stock:

**129m ft<sup>2</sup>**

Vacancy:

**5.9%**

Rents:

**EUR 3.1 – 4.0 per ft<sup>2</sup>/year**

Demand:

**19.6m ft<sup>2</sup>**

Under construction:

**18.4m ft<sup>2</sup>**

New supply forecast by the end of 2017:

**24.7m ft<sup>2</sup>**

# Referral projects

## Industrial sector

BTS  
Amazon



Location:

**Szczecin**

Total space:

**1.74m ft<sup>2</sup>**

BTS  
Zalando



Location:

**Szczecin**

Total space:

**1.34m ft<sup>2</sup>**

BTS  
BSH



Location:

**Lodz**  
(Central Poland)

Total space:

**850,000 ft<sup>2</sup>**

# Investment market in Poland

**EUR 1.5bn** ↓25% y/y  
invested in H1 2017

**EUR 4.7bn** ↑5% y/y  
invested in 2017 (forecast)

## Yields

Retail  
market

5.0-5.5%\*  
6.0-7.0%\*\*

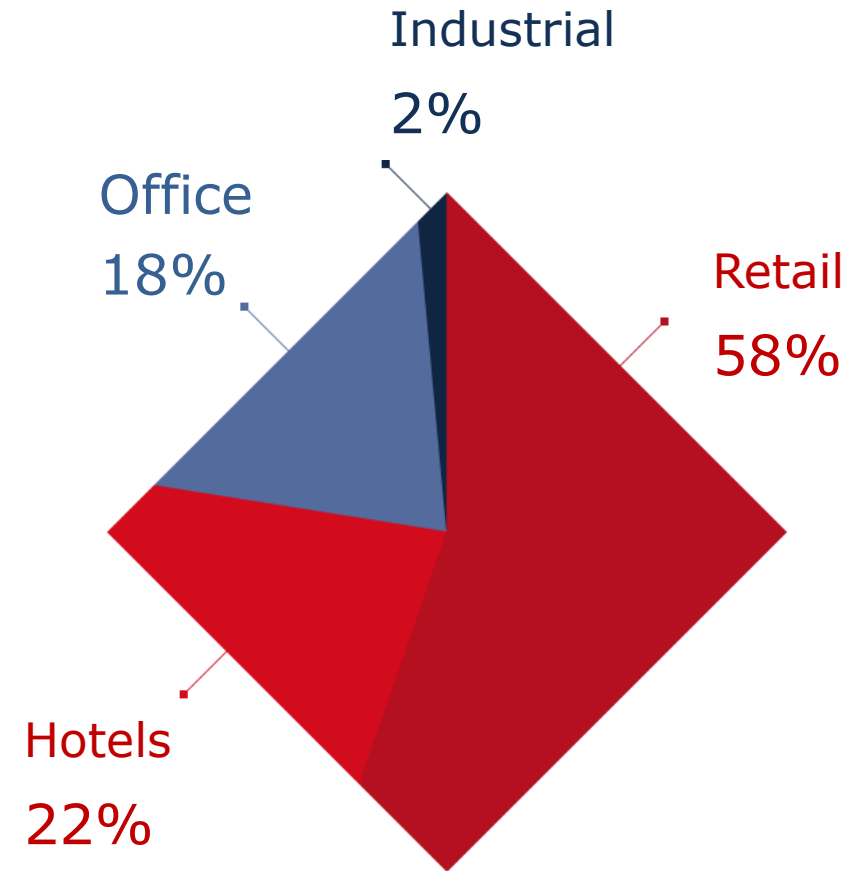
Office  
market

5.25-6.0%\*  
6.5-7.0%\*\*

Industrial  
market

6.5-6.75%\*  
7.0-7.5%\*\*

## Transaction structure in Poland H1 2017



\*Prime assets  
\*\*Secondary assets

# Case studies

## BTS Industrial project for sofa.com

Location:

Poznan (Western Poland)

Project size:

Lease term:

**121,000 ft<sup>2</sup> 10 years**

Tenant:

**Sofa.com - exclusive furniture  
e-commerce from UK**



### Challenges

- ◆ Production client without strategy for this new industrial facility
- ◆ Long decision process
- ◆ Difficult requirements regarding production and warehouse space

### Solution

- ◆ Recommendation of project strategy and different scenarios
- ◆ Tender procedure
- ◆ Negotiation with developer
- ◆ Successful lease agreement
- ◆ Advised client during building process

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## Vendor representation in JV transaction local developer – Hillwood Europe

Location:

Tri-City (North Poland)

Project size:      Project value:  
**645,000 ft<sup>2</sup> EUR 30mln**

Project name:

7R Logistic Park Gdansk



### Challenges

- ◆ Difficult asset: Polish developer with mixed currency cash flow
- ◆ Successfully advised change of disposal strategy – one transaction instead several phases

### Solution

- ◆ Financial restructuring (currency conversion)
- ◆ Identifying reliable investor
- ◆ Structuring JV conditions
- ◆ Successful closing

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# Why Poland?

The most modern  
real estate market in the world

## Industrial

- ◆ Export and internal consumption as major drivers of growth
- ◆ E-commerce and production creating strong demand
- ◆ Competitive rents in comparison to Western Europe
- ◆ Poland and CEE as main production and logistics hub in Europe – latest investments: Amazon, Daimler AG, LG Chem and many more
- ◆ Chinese and South Korean capital choose CEE as a major region to invest in Europe



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### Office

- ◆ Positive Brexit effect for office sector – relocation of financial and IT processes from UK to CEE region – JP Morgan, Goldman Sachs and UBS investments in Poland
- ◆ BPO/SSC sector will create approx. 30,000 business service sector jobs in Poland by 2020
- ◆ Dynamic growth not only in Warsaw, but also in regional cities
- ◆ High market liquidity attractive for investors
- ◆ High quality and modern office as an important HR tool

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2018

WARSAW



SIOR

**SIOR International European Conference**

**SAVE THE DATE**  
**June 27-29, 2018**  
**Sofitel Warsaw Victoria Hotel**

**#SIORWarsaw**





2018

WARSAW



City of Chopin



SIOR

SIOR International European Conference

SAVE THE DATE  
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#SIORWarsaw



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# Ernesto Gamboa H. SIOR – CCIM – CBR – MDI



- Consultancy Services – Project Development
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- Specialized Publications
- Web
- International Partnerships
- Corporate Transactions
- BA – MDI
- SIOR – CCIM – ACBIR
- PMI
- Teacher



# Remarks Commercial – Ecuador



- Top Commercial Brokers Partnership
- Quito – Guayaquil – Ecuador – Colombia
- Dynamic Information Systems – Consultancy – Corporate Transactions
- Business Development / Marketing Plan – Transaction Execution
- @remarksec





# Market



- Population (Urban Quito – Guayaquil) – Colombia
- Recent News (Capital Gain Tax – Largest Historic Absorption Office Quito – Industrial Investment at Animal Food / Pharmaceutical – Hospitality – Retail)
- Market Tips – IPCO Escalation : Grace Periods : Tenant Improvement Allowance
- Advantages: Developer Cap Rate – Corporate Stability
- Disadvantages: Capital Exit Tax
- Trends – Hospitality Investments : Government Development

# Case Study (Industrial) – Sherwin Williams



- Disposition
- Durán – Guayas – Ecuador
- Buyer: Hunter Douglas – Production Facility





# Case Study (Office) – Tech Data



- Lease Termination – Relocation
- Quito – Ecuador
- Local Investor (Family)



# Case Study (Investment) – Generali



- Disposition – Relocation (Short-LeaseBack)
- Quito – Ecuador
- Office Development Investor – Retail Investor





# Key Trends

- Social Media Investment Vs Traditional Media
- Commercial Specialization
- Corporate Parks (Office)
- Industrial Build-To-Suit / Logistic
- Low Vacancy Rates @Retail
- Differentiation Rent Prices (Professional – Corporate)

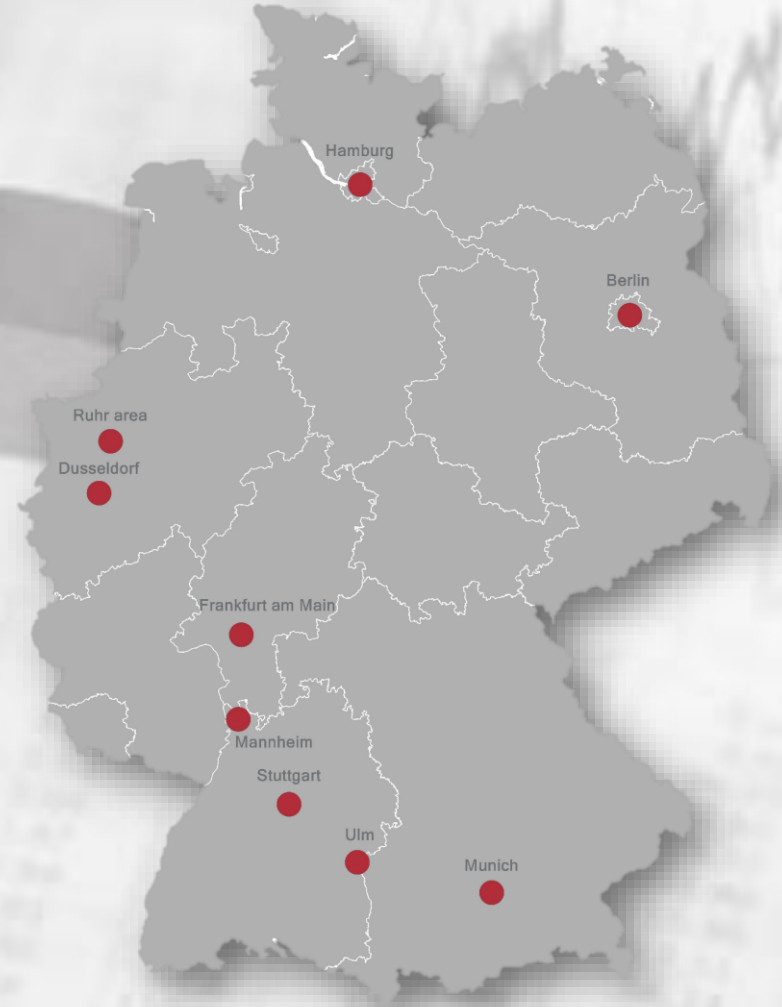


# About us

- Local market presence and expertise
- More than 190 dedicated real estate professionals
- 12 locations in Germany covered
- Headquarter in Frankfurt

## Services:

- Asset Management
- Property Management
- Tenant rep
- Valuation
- Brokerage: Office, Industrial, Logistics
- Corporate Finance
- Built out services
- Research
- Investment sales



# Germany – Top 7 markets



## Germany:

- Inhabitants: 82,67 Mill.
- sqm: 357.37 m sqm

## Top 7:

- Inhabitants: 9,78 Mill.
- sqm: 88,59 m sqm



# Germany – Overview



#BUSINESS NEWS JULY 25, 2017 / 10:15 AM / 14 DAYS AGO

**'Euphoric' exporters lift German business morale to new high**

**German retail sales post best leap in eight months; employment at record high**

FINANCIAL TIMES

BUSINESS

**German economy going from strength to strength**



#BUSINESS NEWS JUNE 13, 2017 / 11:50 AM / 2 MONTHS AGO

**German economy continues upturn in second quarter - ministry**



**German Labor Market Strengthens as Robust Economy Fuels Hiring**

By **Carolynn Look** and **Alessandro Speciale**  
1. August 2017 09:55

**Bundesbank says Germany saved €240bn from low interest rates**

FINANCIAL TIMES

#BUSINESS NEWS JULY 10, 2017 / 8:10 AM / A MONTH AGO

**Robust German exports push up trade surplus in May**

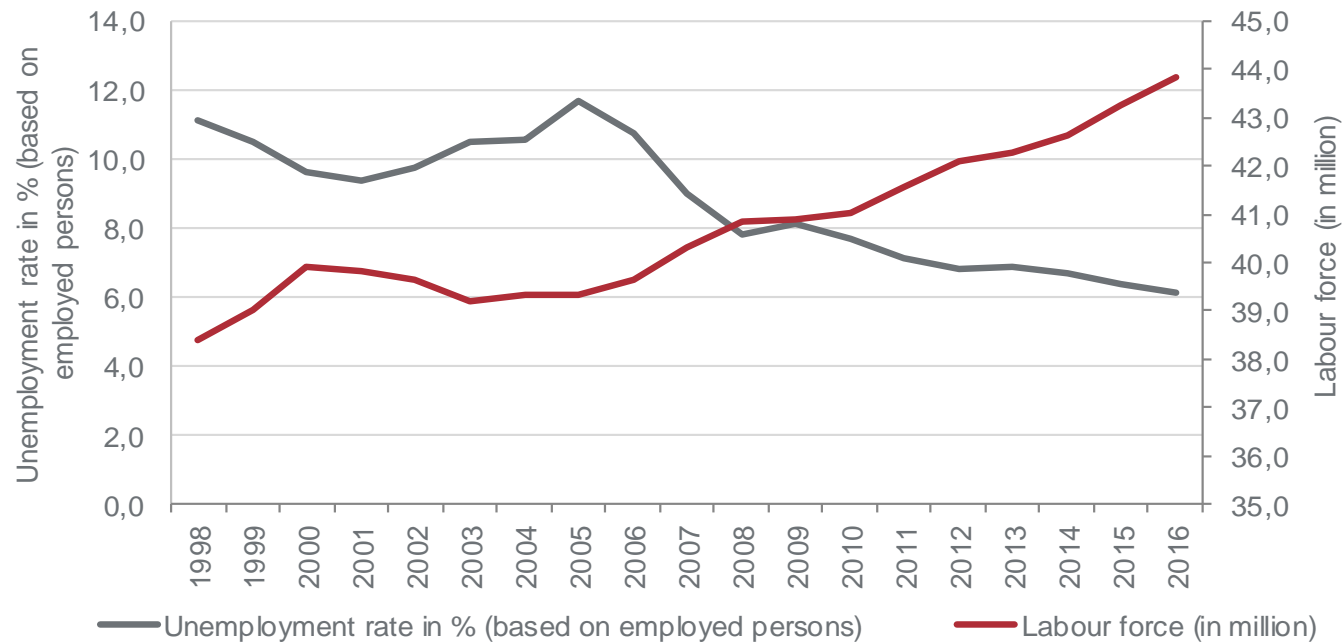


# Labour force and unemployment



- The economic performance was achieved by 43.7 million persons in employment (Q1/17), which was an increase of 638,000 or 1.5 % on a year earlier
- 2016: unemployment rate of 6.1 % is the lowest rate of the last 25 years

Labour force and unemployment Germany



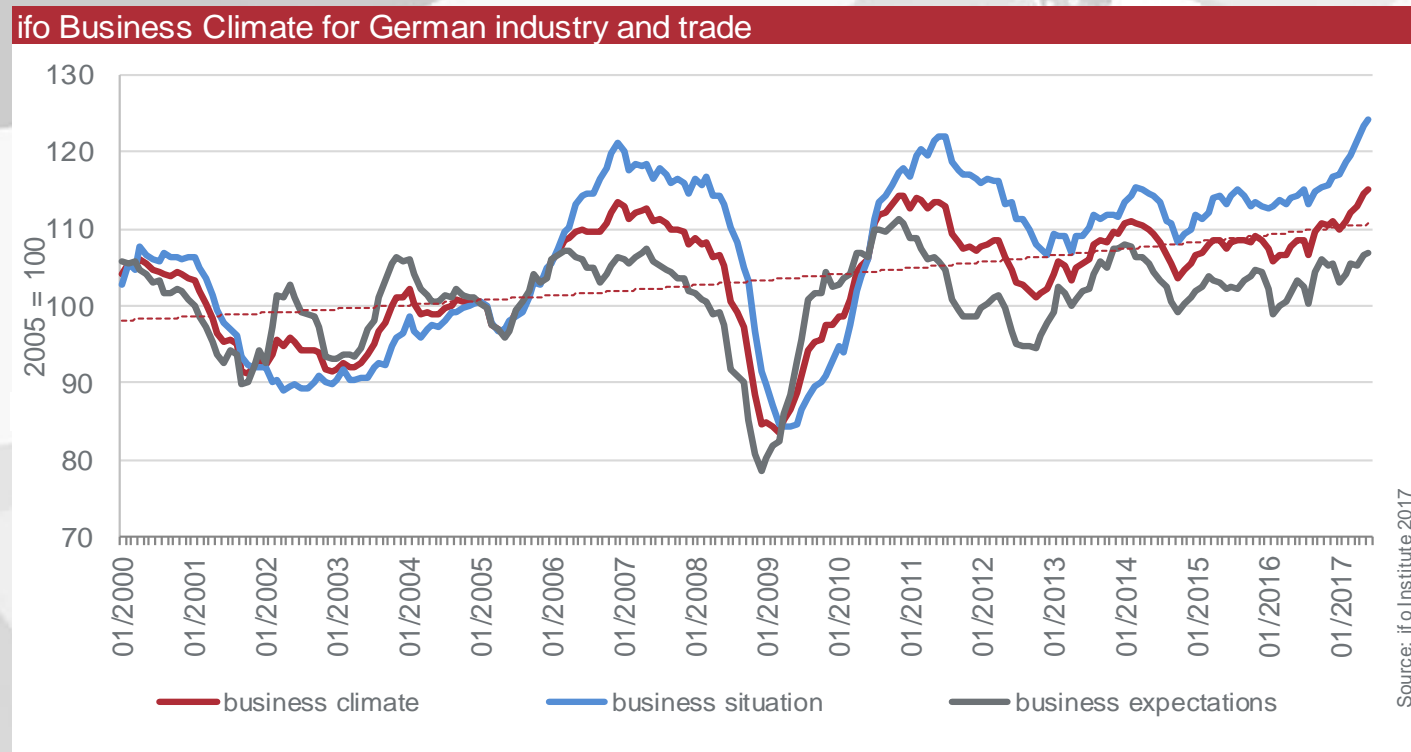
Source: Federal Statistical Office 2017, Federal Employment Office 2017



# ifo Business Climate for German industry and trade



- The ifo Business Climate Index rose to 116.0 points in July 2017, hitting a new record high for the third month in succession; companies' satisfaction with their current business situation reached its highest level since Germany's reunification

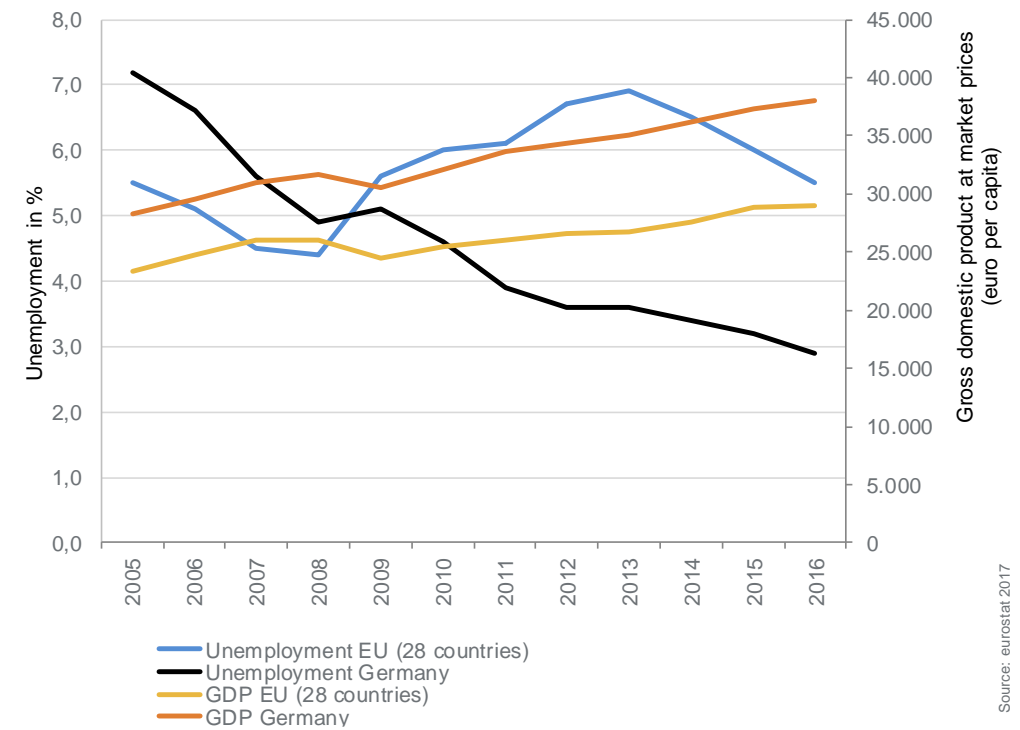




# GDP and Unemployment – Germany and Europe

- Significant differences in levels between Germany and the European Union at the average for economic performances and unemployment
- Changes in Germany have a direct impact on Europe
- GDP 2016: Germany 38.100 Euro/capita / EU 29.000 Euro/capita
- Unemployment rate: Germany 2,9 % / EU 5,5 %

Gross domestic product (euro per capita) and Unemployment in %



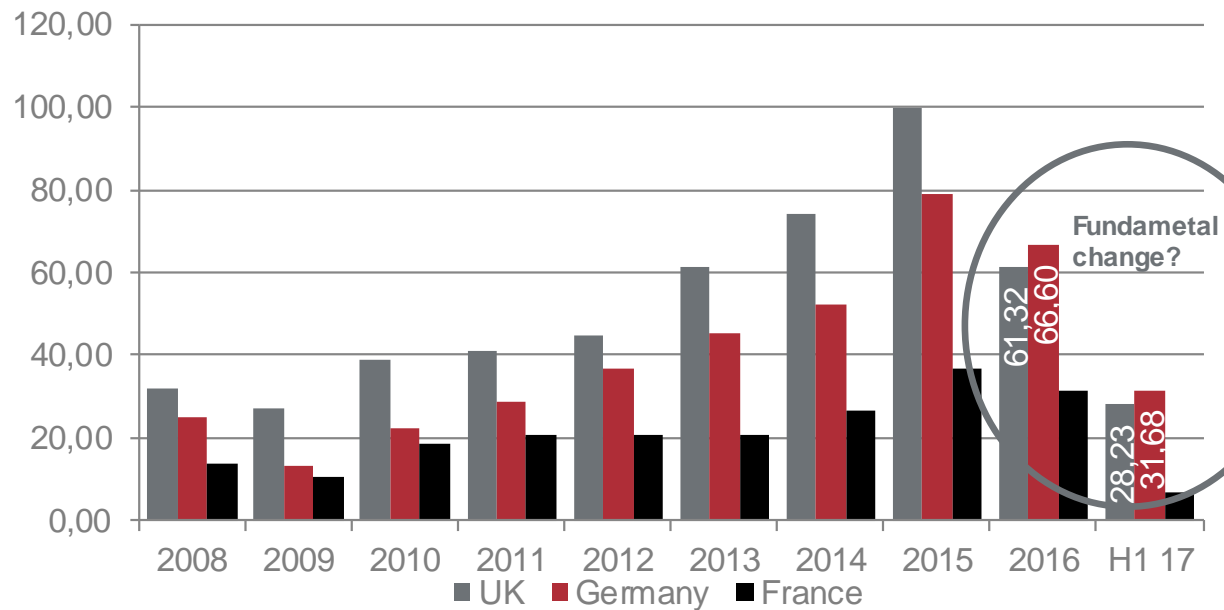
Source: eurostat 2017

# Investment market – a European comparison



- In 2016 Germany surpassed UK's transaction volume for the first time; trend in H1 2017 is alike: Germany EUR 31.7 bn, UK EUR 28.2 bn
- Germany is Europe's most sought-after investment market

Transaction volume commercial & residential properties 2008 - H1 2017

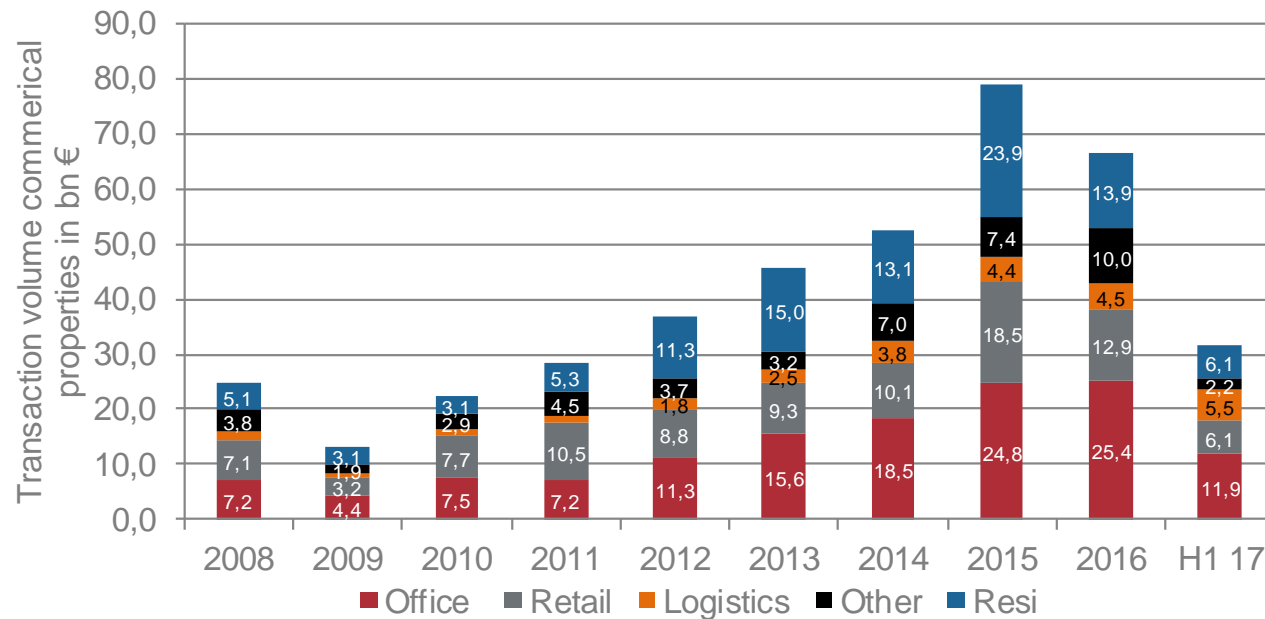


Source: Real Capital Analytics, Inc., NAI apollo group

# Investment market – Germany in depth

- 46 % of the commercial investment market focussed on office assets
- In H1 2017 growing importance of logistics properties

Transaction volume commercial properties in Germany 2008 - H1 2017



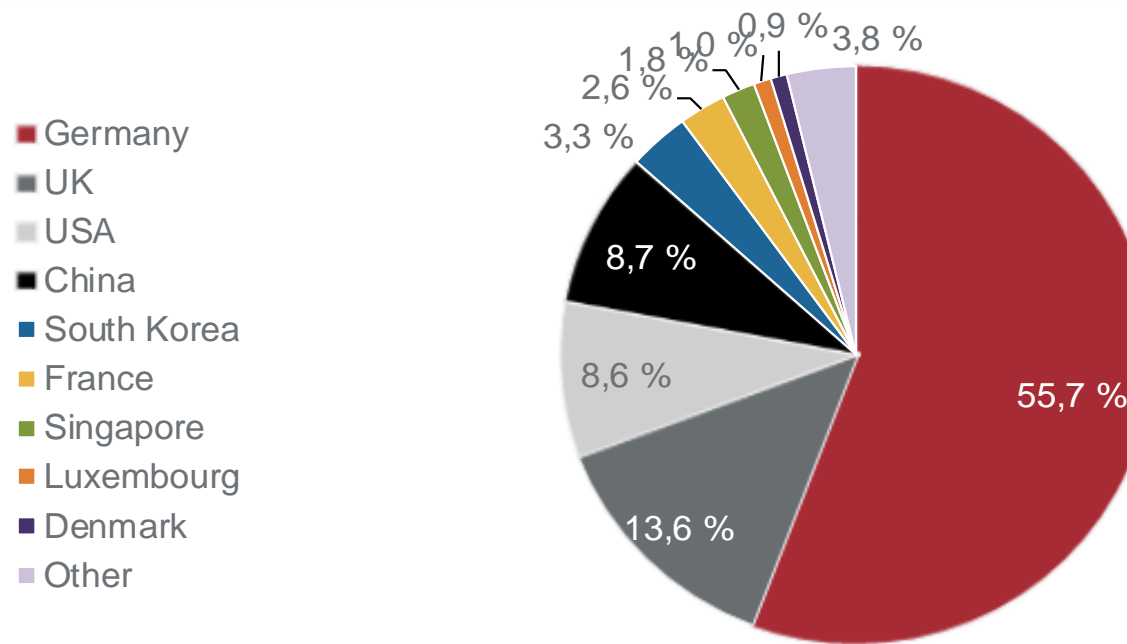
Source: NAI apollo group



# Investment market – demand by origin

- Growing importance of foreign investors on the German commercial investment market  
(H1 2017: 44.3 % market share; H1 2016: 34.2 % market share)

Transaction volume commercial properties according to investor origin H1 2017

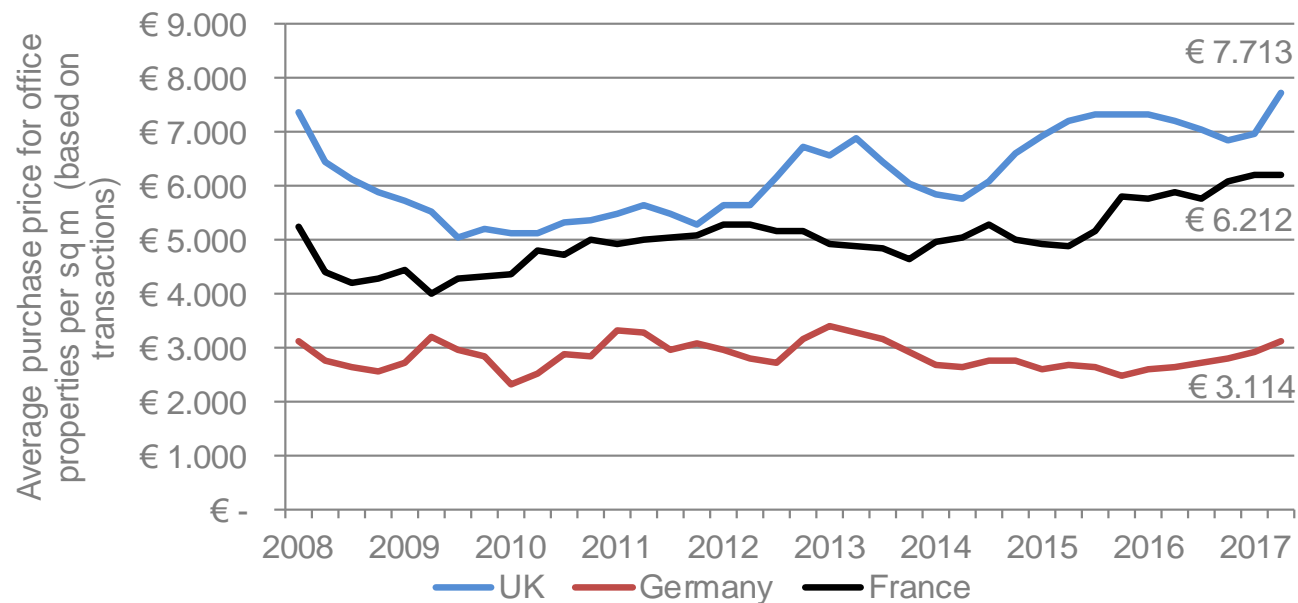


Source: NAI apollo group

# Investment market – average office prices

- In the long-term view the average price per sq m office space in Germany is 54 % respective 43 % below the level of the United Kingdom and France
- Long-term average price is approx. € 2,850 per sq m in Germany

Average purchase price for office properties per sq m (based on transactions)

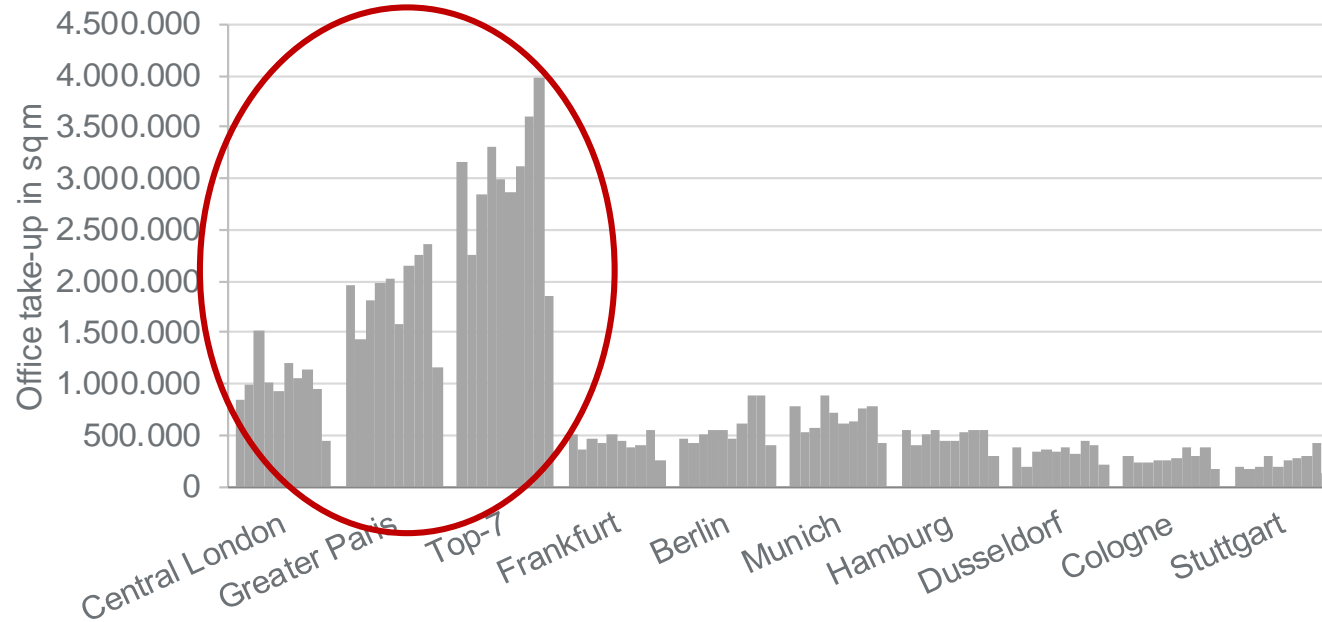


Source: Real Capital Analytics, Inc.

# Top-7 office markets – take-up

- Germany's Top-7 markets characterized by a rising take-up (2016: +10.9 %)
- With 1.85 m sq m, combined take-up of all top-7 markets surpassed London (0.45 m sq m) as well as Paris (1.15 m sq m) in H1 2017

Development of office take-up 2008 - H1 2017



Source: NAI apollo group

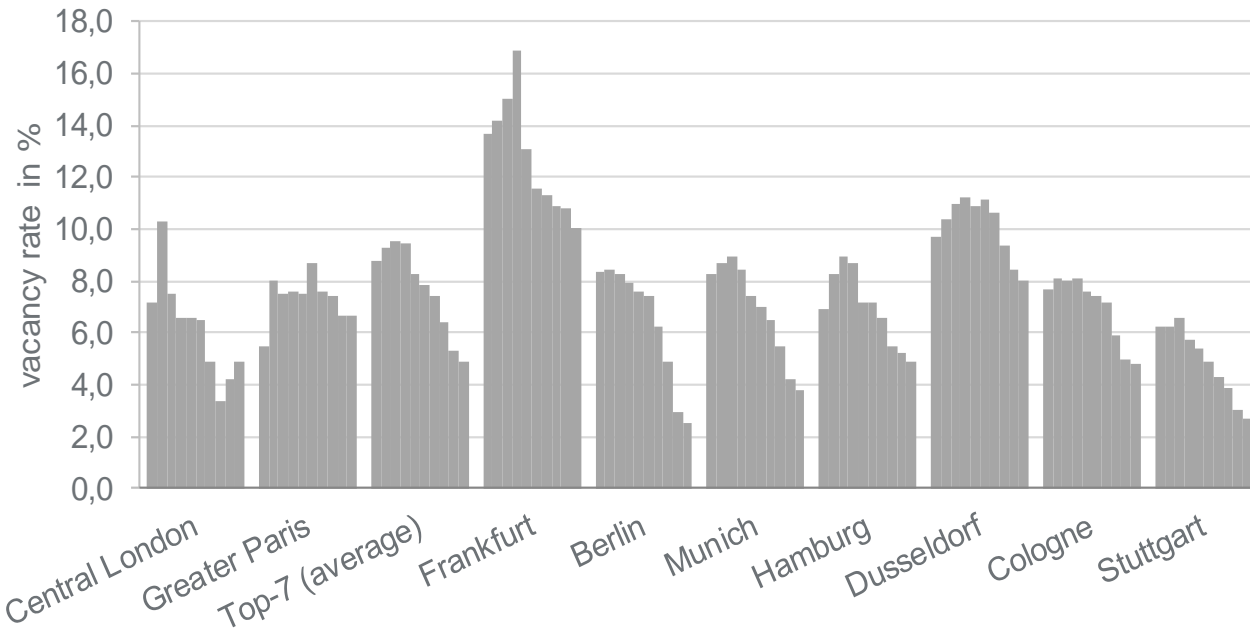


# Top-7 office markets – vacancy

- Strong decrease of office space availability in the German top-7 markets (especially Berlin, Munich and Stuttgart)
- Vacancy rate has almost halved since 2008

## Development of the vacancy rate in %

Office vacancy in % 2008 - Q2 2017



Source: NAI apollo group

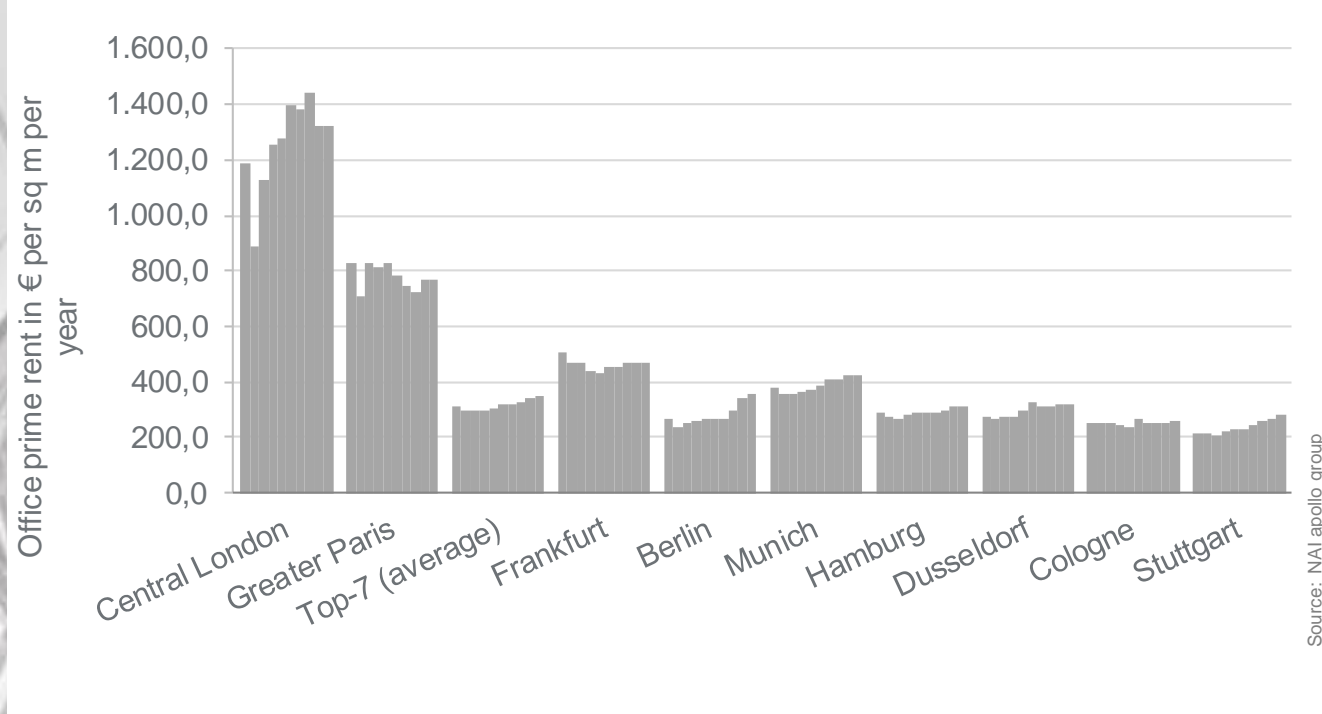
	2008	H1 2017
Central London	7,20	4,90
Greater Paris	5,50	6,70
Top-7 (average)	8,80	4,92
Frankfurt	13,70	10,00
Berlin	8,40	2,50
Munich	8,30	3,80
Hamburg	6,90	4,90
Dusseldorf	9,70	8,00
Cologne	7,70	4,80
Stuttgart	6,20	2,70

# Top-7 office markets – prime rents



- In general German Top-7 markets characterized by an increasing rental level
- Upward pressure continues
- Strongest growth rates in Berlin (+16.9 % y-o-y) and Munich (+ 2.9 % y-o-y)

Development of office prime rents 2008 - Q2 2017



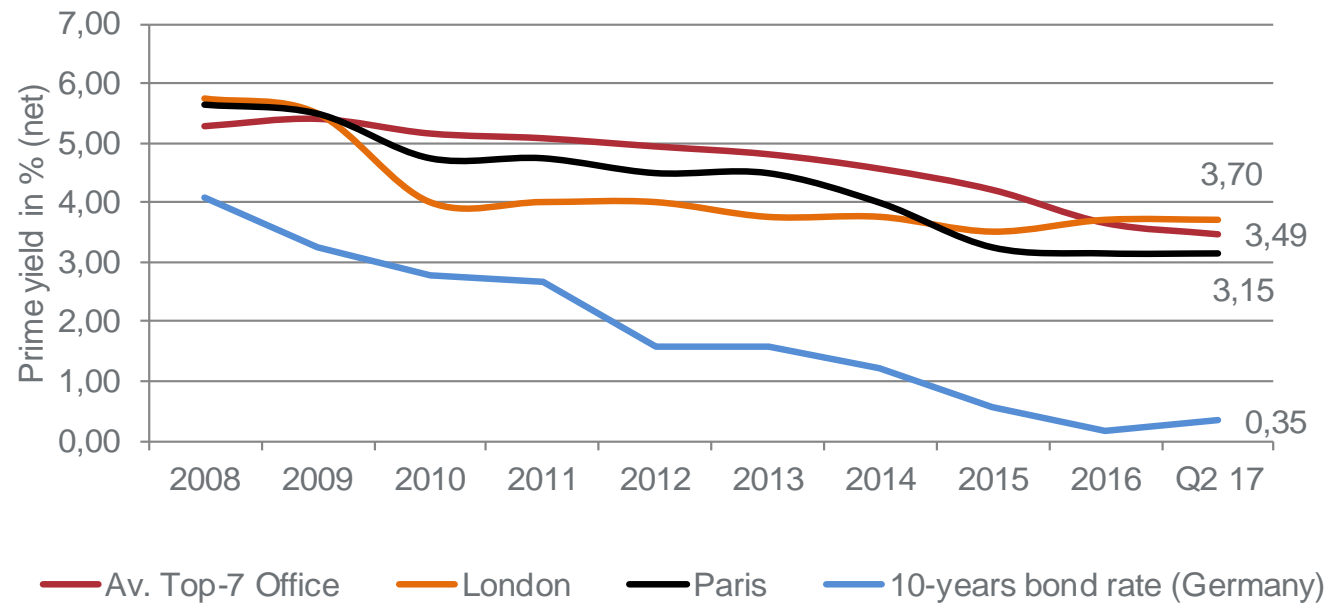
Development of the office prime rent in €/sqm/year

	2008	H1 2017
Central London	1.190,00	1.320,00
Greater Paris	830,00	768,00
Top-7 (average)	311,14	345,81
Frankfurt	504,00	468,00
Berlin	264,00	357,60
Munich	378,00	426,00
Hamburg	288,00	312,00
Dusseldorf	276,00	318,00
Cologne	252,00	257,04
Stuttgart	216,00	282,00

# Top-7 office markets – prime yields

- Due to high demand prime yields for the Top-7 markets is decreasing
- Average of the Top-7 markets are in between London's and Paris' prime yield
- Further decline of German office prime yields expected

Net initial office prime yields 2008 - Q1 2017

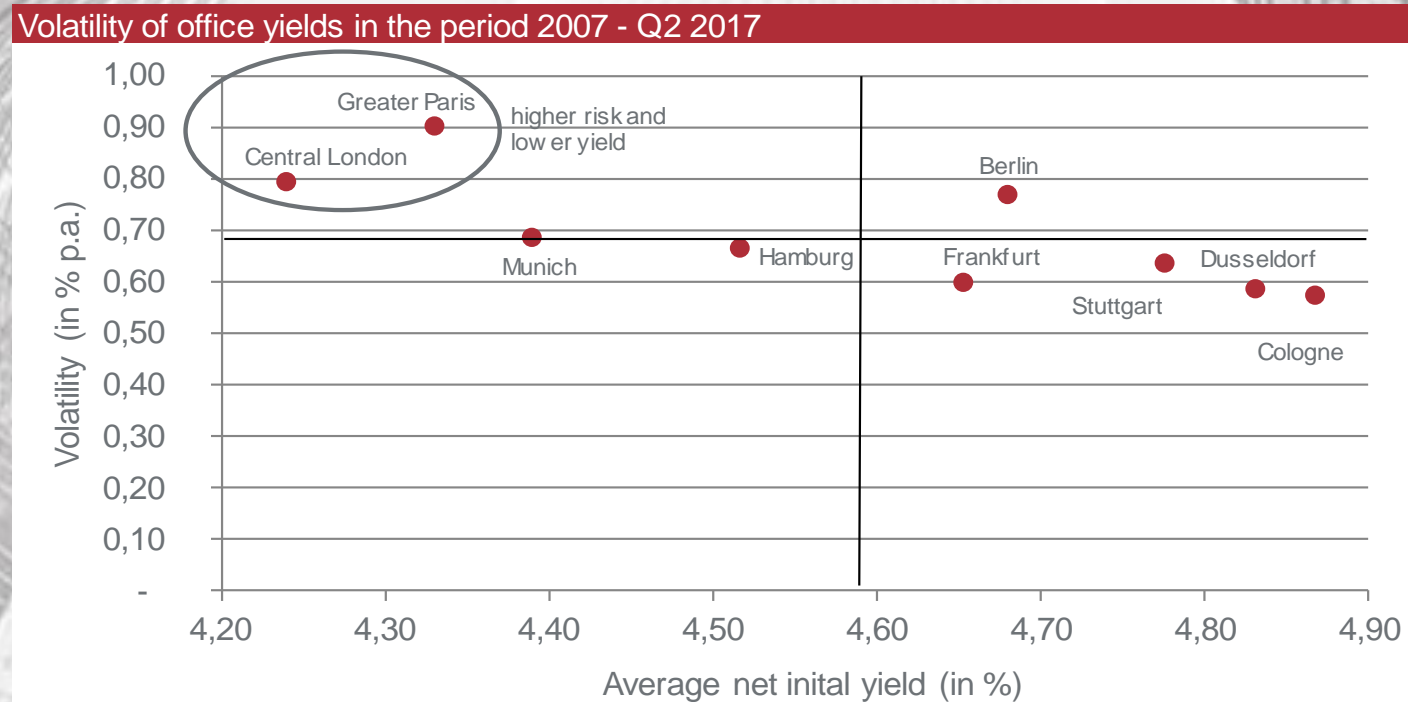


Source: NAI apollo group, Bundesbank



# Top-7 office markets – risk and return

- In comparison to London and Paris the German Top-7 markets are characterized by a lower volatility (risk) of the office prime yield in the period 2007 – Q2 2017



# Top-7 office markets – Frankfurt and Brexit



- In all probability financial institutes which have already committed to relocate workers to Frankfurt will lease office space of 190,000 - 235,000 sqm. Further institutes are expected to move to Frankfurt; Morgan Stanley already leased 8,000 sq m
- Office market / land lords will benefit from sinking vacancy and rising rents

Financial institute	number of worker to be relocated	15 sq m office space per worker	20 sq m office space per worker	25 sq m office space per worker	30 sq m office space per worker
Deutsche Bank	max. 4.000	60.000 sq m	80.000 sq m	100.000 sq m	120.000 sq m
JP Morgan	max. 2.000	30.000 sq m	40.000 sq m	50.000 sq m	60.000 sq m
UBS	max. 1.500	22.500 sq m	30.000 sq m	37.500 sq m	45.000 sq m
Goldman Sachs	max. 1.000	15.000 sq m	20.000 sq m	25.000 sq m	30.000 sq m
Morgan Stanley	n/a	8.000 sq m	8.000 sq m	8.000 sq m	8.000 sq m
EBA	160	2.400 sq m	3.200 sq m	4.000 sq m	4.800 sq m
Citi	100	1.500 sq m	2.000 sq m	2.500 sq m	3.000 sq m
Lloyds Bank	>100	1.500 sq m	2.000 sq m	2.500 sq m	3.000 sq m
Nomura	<100	1.500 sq m	2.000 sq m	2.500 sq m	3.000 sq m
Daiwa	80	1.200 sq m	1.600 sq m	2.000 sq m	2.400 sq m
Standard Chartered	20	300 sq m	400 sq m	500 sq m	600 sq m
Woori Bank	n/a	n/a	n/a	n/a	n/a
K.K. Mizuho Financial Group	n/a	n/a	n/a	n/a	n/a
Sumitomo Mitsui Financial Group	n/a	n/a	n/a	n/a	n/a
		143.900 sq m	<b>189.200 sq m</b>	<b>234.500 sq m</b>	279.800 sq m

Source: NAI Apollo group, press information



# Top Investment Deals Munich & Dusseldorf



## DUSSELDORF



- Street: Rolandstrasse 44
- Buyer: BNP Paribas Real Estate Investment Management
- Total sqm lettable area: 13,200 sqm
- Purchase Price: approx. 60 Mil. €

## MUNICH



- Street: Wilhelm-Hale-Strasse / Friedenheimer Brücke / Birketweg
- Buyer: Allianz
- Total sqm lettable area: 41,000 sqm
- Purchase Price: approx. 240 Mil. €

# Top Investment Deals Cologne & Stuttgart



## COLOGNE



- Street: Leonard-Tietz-Strasse
- Buyer: Swiss Life Asset Managers
- Total sqm lettable area: 38,000 sqm
- Purchase Price: approx. 100 Mil. €

## STUTTGART



- Street: Siemensstrasse 7
- Buyer: Baden-Württemberg Stiftung gGmbH
- Total sqm lettable area: 24,436 sqm
- Purchase Price: approx. 117 Mil. €



# Top Investment Deals Frankfurt, Berlin and Hamburg



## FRANKFURT



- Street: Taunusanlage 8
- Buyer: Mirae Asset Global Investments
- Total sqm lettable area: 29,599 sqm
- Purchase Price: approx. 300 Mil. €

## BERLIN



- Street: Helen-Ernst-Strasse
- Buyer: Capstone Asset Management
- Total sqm lettable area: 40,600 sqm
- Purchase Price: approx. 196 Mil. €

## HAMBURG



- Street: Kapstadtring 2
- Buyer: Amundi
- Total sqm lettable area: 42,000 sqm
- Purchase Price: approx. 97 Mil. €

# Case Study WeWork



## Letting to the co-working and shared office space specialist WeWork in Hamburg



- Location: Axel-Springer-Platz 3
- Type of use: Office Building / Business Center
- Space: 7,777 sqm
- Volume: 44,732,340 €



- Location: Herrmannstrasse
- Type of use: Office Building / Business Center
- Space: 6,394 sqm
- Volume: 36,626,102 €

- Task: Identifying suitable property and lease contract negotiations with the landlord



# Conclusion - The German Investment market

- German investment market developed to be the largest property investment market in Europe
- High liquidity and fungibility of the market
- Lower market entry prices and at the same time property returns are comparable to UK and France
- International recognized market with a growing number of international investors
- German top-7 letting markets with increasing take-up, decreasing availability as well as rising prime rents
- Prime yields are less volatile compared to London or Paris

Germany is the most sought-after property investment location in Europe



Transaction volume on investment market for commercial real estate in H1 2017 at around EUR 25.58 billion (+41.5% above H1 2016).

Building will become more expensive and the rental prices for new buildings will rise

Vacancy decreases -> potential for increasing rents in existing buildings on re-letting