



HAMBURG

# MARKET REPORT

OFFICE LEASING  
AND INVESTMENT MARKET

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2018/2019



# HAMBURG



## CITY FACTS HAMBURG

Population in 1,000	1,831
Employees Paying Social Security Contributions in 1,000	969
Unemployment Rate in %	6.0
Per Capita Disposable Income in €	25,228

## Fast Facts

Office Leasing Hamburg	2018	Change year-on-year
Office Space Take-up	564,000 sqm	- 9.3 %
Leasing Take-up	497,000 sqm	- 14.9 %
Prime Rent	27.00 €/sqm	3.9 %
Average Rent	15.70 €/sqm	2.0 %
Vacancy Rate	3.6 %	- 90 bp
Office Space Stock	13.74 million sqm	- 0.1 %



## Achieved Rents in €/sqm

Submarket	Prime Rent	Average Rent
City	27.00	20.00
HafenCity	26.00	19.60
Harbour Fringe	22.00	18.00
Alster West	24.00	17.90
Alster East	23.00	17.60
St. Georg	17.50	15.10
City South	16.00	12.30
St. Pauli	22.00	15.70
Altona	17.50	14.20
Bahrenfeld	15.50	12.10
Eimsbüttel	15.50	12.00
Eppendorf	17.50	12.20
Airport	12.50	10.10
City North	16.00	11.00
Barmbek	16.00	12.30
Wandsbek	15.50	9.50
Harburg	14.00	8.80
Hamburg East	16.00	9.90
Hamburg West	12.50	10.10

# OFFICE LEASING

## Take-up

The Hamburg office leasing market posted a take-up of around 564,000 sqm in 2018, marking the third-highest result ever recorded and exceeding the 5-year-average by roughly 6%. These results highlight the ongoing lively activity in the Hanseatic city and can largely be attributed to a very strong Q3 and less to the final quarter.

The market was characterized by several large-scale deals for units over 10,000 sqm and high activity levels in the space segment up to 1,000 sqm. The largest transaction was an owner-occupier deal involving start of construction on the new Beiersdorf AG headquarter on Tropelwitzstraße in the Eimsbüttel submarket in Q3. The office space of the building will be at around 48,000 sqm. The second largest transaction was a lease signed in a property development being built by ECE in Hamburg East,

located at the corner of Fuhlsbüttler Straße and Hebebrandstraße not far from the City North submarket. The Société Générale (SG) Group will be the main tenant of the project development with a total area of around 25,000 sqm. The lease signed by the SG Group for the Hanseatic Bank and BDK Bank Deutsches Kraftfahrzeuggewerbe is about 18,300 sqm.

Tenants looking for smaller and medium-sized units focused their search efforts on CBD properties in the City and Hafencity submarkets, while the five largest deals were signed in peripheral locations. This reflects the limited availability of large-scale adjoining office space in central locations. The City and Hafencity submarkets accounted for around 30% of all leases signed. Leasing activity also revolved around the City South submarket, which claimed 15% of total take-up, including four leases signed for units over 5,000 sqm.

FIGURE 1: Office Space Take-up in 1,000 sqm

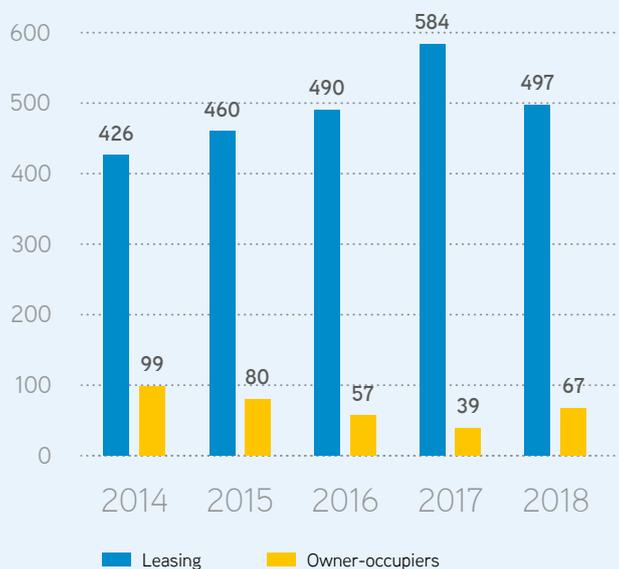
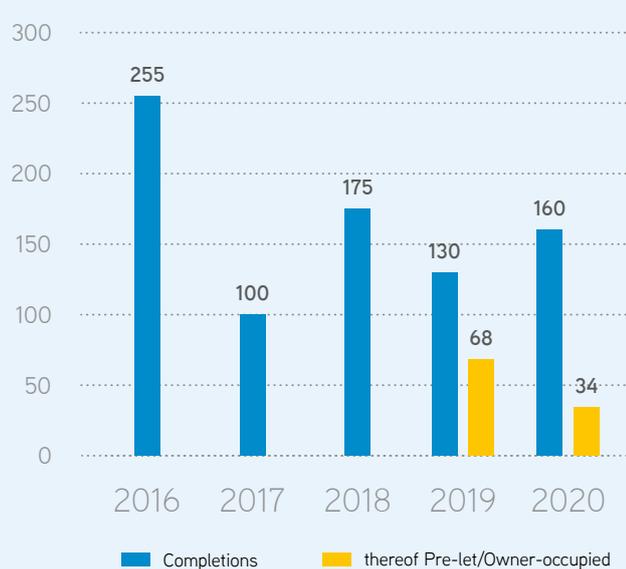


FIGURE 2: Completion Volume in 1,000 sqm



## Rents

Prime rents climbed to €27.00 per sqm, up 3.9% yoy, due to several leases signed in popular property developments in the CBD. The weighted average rent registered in Hamburg was also up to €15.70 per sqm, an increase of 2% yoy. We expect to see rent levels continue to rise due to ongoing high demand.

## Supply and Vacancy

The vacancy rate dropped by 90 bps over the course of the year from 4.5% to 3.6%. Space available for immediate tenancy came to a low 488,000 sqm at year-end. The City and City South submarkets registered the most significant decreases in vacancy. Despite the fact that vacancy levels are already low, 2019 will likely bring another slight drop due to sustained strong demand.

## Key Developments

Around 130,000 sqm is currently in the pipeline for 2019. In addition to several large-scale refurbishments like Brick and Brain in the City South submarket, a

number of new-builds will also be added to the market, including Campus Tower in the Hafencity submarket. The situation on the market will remain tense over the course of 2019, due to high pre-letting rates and owner-occupier developments. Demand for modern office space remains high and occupier focus will increasingly shift to new property developments. More than two-thirds of space scheduled for completion in 2019 has already been prelet, also 34% of space at developments scheduled for completion in 2020. We will see further leases being signed in-demand property developments in the short-term.

## Summary and Outlook

With demand on the Hamburg office leasing market still high, we expect take-up to exceed 500,000 sqm in 2019. However, a result at the level of 2018 or of the record year in 2017 is not expected.

FIGURE 3: Vacancy Rate in % and Vacancy in 1,000 sqm

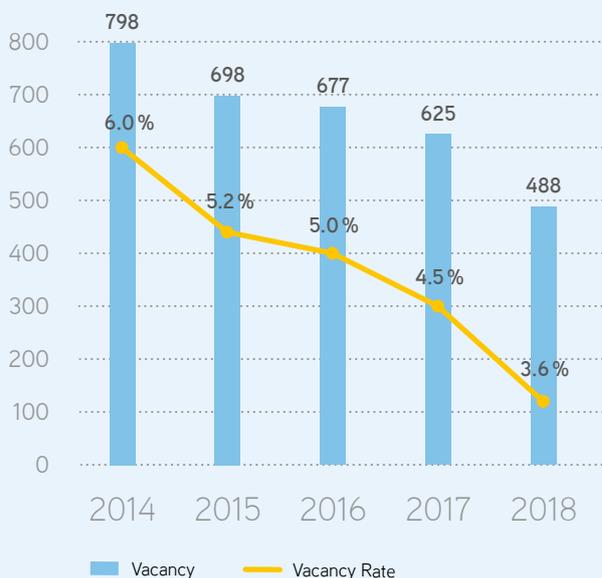
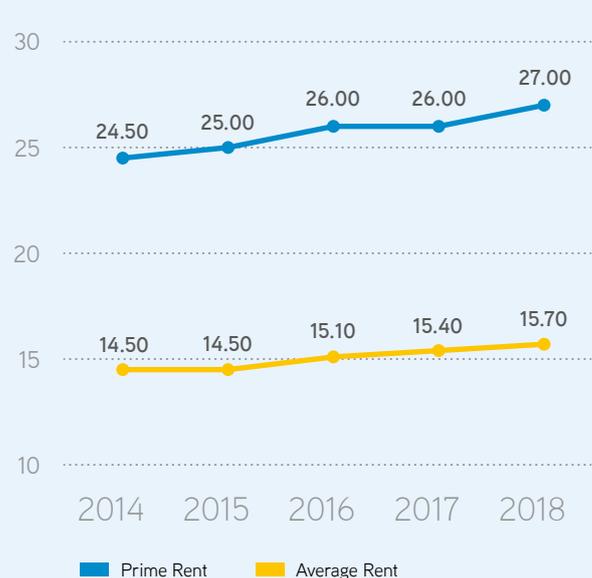


FIGURE 4: Prime and Average Rents in €/sqm



# INVESTMENT

## Transaction

The Hamburg commercial real estate market posted a transaction volume of €5.7bn in 2018, setting a new record. The early end-of-year rally that started in Q3 seamlessly continued in Q4, resulting in a year-end result over €5bn for the first time in the Hanseatic city. Around two-thirds of total volume was generated in the second half of the year alone when the shortage of core assets that set the tone for activity in 2017 finally became a thing of the past and the impact of a well-

stocked pipeline became evident. 2018's record result not only surpassed the previous year result by roughly 66% but also the previous record of €4.9bn set in 2016 by around 15%. The sale of Springer Quartier in Q1 was the largest single-asset deal in 2018. The property development was sold by the MOMENI Group to a several of medical pension funds for around €400m.

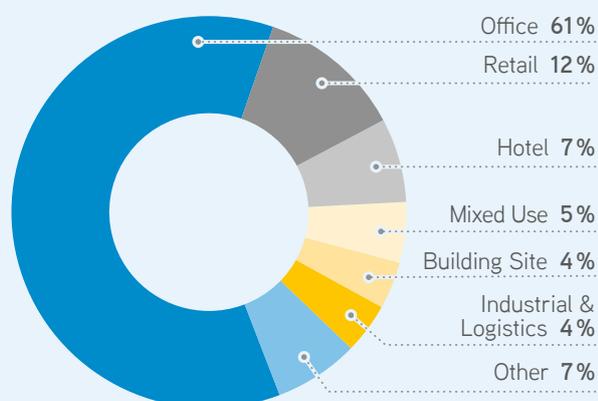
## Fast Facts

Investment Hamburg	2018	2017
Transaction Volume	5,665 million €	3,410 million €
Portfolio Transactions	24 %	37 %
Share by International Buyers	32 %	43 %
Share by International Sellers	37 %	29 %
Most Important Property Type	Office 61 %	Office 67 %
Prime Yield Office	3.20 %	3.30 %

FIGURE 5: Transaction Volume in million €



FIGURE 6: Transaction Volume by Type of Property 2018 share in %



## Supply and Demand

Investors largely set their sights on office assets, which accounted for around 61% of transaction volume, once again putting them in pole position among the other asset classes. Retail assets lagged behind in 2nd place with a share of roughly 12%. Hotel assets came in 3rd with around 6%, followed closely by mixed-use assets (approx. 5%) and land sites (approx. 4%). Industrial and logistics assets, each summing up around 2% of the transaction volume, played only a marginal role in Hamburg's investment activity in 2018.

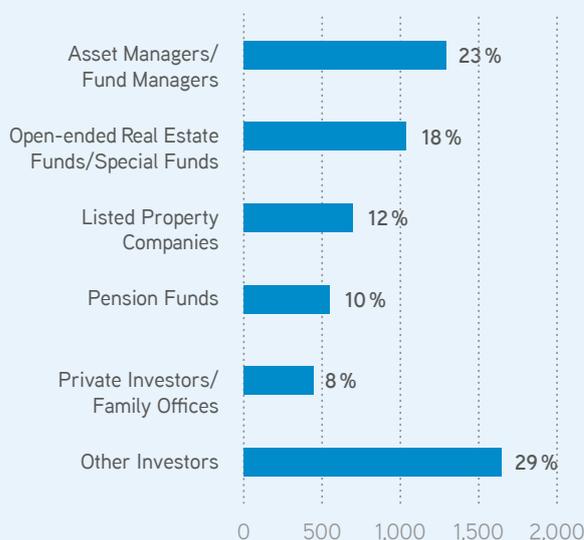
Portfolio transactions claimed a share of 24%, including the sale of 13 care facilities in Hamburg for over €350m and, close to year-end, Warburg-HIH's TOP 5 portfolio, which comprised the two core assets, Valentinshof and Brooktorkai 20 in the CBD. Other noteworthy single-asset transactions included Karstadt Sports at Hamburg central station, which was purchased by R+V in the low 9-figure range, and Quartier am Zeughaus in the Eppendorf submarket which, among others, marked the market entry of Godewind Immobilien AG in H2 2018.

Asset and portfolio managers were the most active buy-side in 2018, accounting for a market share of just under 25%. Open-ended real estate funds and special funds came in 2nd place with roughly 18%. Property developers and development companies were most active sell-side with a share of around 25%, while last year's frontrunners, asset and portfolio managers, had to settle for 3rd place with a share of around 13%. Opportunity funds came in 2nd, accounting for around 20% of transaction volume. Officefirst acting on behalf of Blackstone was one of the most active investors on the on the sell-side of the Hamburg commercial real estate market in 2018.

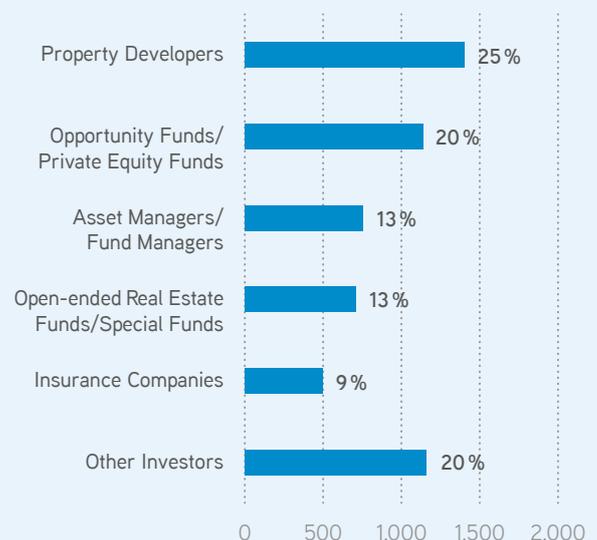
## Yields

In the wake of the previous year's steep yield compression, levels only shifted slightly in 2018. Gross prime yields for office assets fell 10 bps from 3.30% to 3.20% while yields for high street assets remained stable at 3.20%. Prime logistics yields fell from 4.65% to 4.50%, reflecting the popularity of this asset class among investors despite a relatively low share in

**FIGURE 7: Transaction Volume by Buyer Groups**  
in million €, share in %



**FIGURE 8: Transaction Volume by Seller Groups**  
in million €, share in %



overall market activity. The hotel market recorded a change of 25 bps with prime yields at 4.00% at year-end. Yields have followed an increasingly lateral trend in recent years, particularly in the high street and office segments. Despite the ongoing low-interest policy and sustainable rent increases on the office leasing markets, yields have started to bottom out. As such, we do not expect any significant changes in yield levels in 2019. Small and medium-sized assets are likely to be the sole exception, provided that they fulfill all requirements in terms of quality, location, tenant structure and rent level. Long-term portfolio managers in this segment will continue to take advantage of the current yield environment.

Yield levels were a main factor behind high investor interest in the Hamburg investment market. Foreign investors accounted for around one-third of total transaction volume in 2018. Investors from North America and Europe each accounted for a share of around 44% while investors from Asia and the Middle

East claimed around 12%. Foreign investors posted around 37% of total transaction volume sell-side as well. Investors from North America were most active with around 65% with investors from other European countries accounting for the remaining 35%.

## Summary and Outlook

We expect a transaction volume of at least €4.0bn for 2019. This result would again exceed the 5-year-average of around €3.8bn. A well-stocked pipeline and ongoing high demand, in particular for core assets in the CBD and increasingly for assets in peripheral locations, guarantee high transaction volumes.



*Current trends on the office leasing market have significantly improved general conditions for investments in Hamburg.*



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