

TOTAL YEAR 2022



office market

HAMBURG

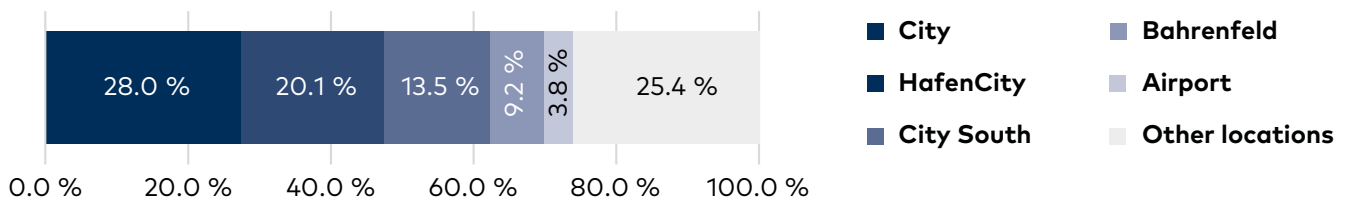
ROBERT C.

SPIES

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Office space take-up

by submarkets



Excess demand

continues to shape the market development in Hamburg

Record-breaking year with a office space take-up of 615,000 sq m

The market for office spaces in Hamburg achieved a record-breaking total office space take-up of 615,000 sq m in 2022. The entire last year was characterized by an unwaveringly high demand for modern offices. High-quality spaces were let immediately. Several important large-scale deals contributed to the result, which exceeded the previous year's result by almost one third.

The office space take-up is more than 21 percent above the 5-year average of 507,400 sq m. This is a clear sign of a certain recovery of the market and the upward trend of the last four quarters. All in all, the first quarter of 2022 was the most vigorous quarter of the last ten years, due to catch-up effects following the previous years that were affected by the pandemic, causing delayed permits and approvals.

Since the third quarter, the issue of energy supply has become a top priority. Escalating property expenses and existing fossil energy sources are being called into question – in the future, tenants face an increase in property expenses by up to 25 percent. For large-scale requests in particular, ESG criteria are becoming both distinctive and deciding factors. They include not only the building's energy efficiency, but also mobility issues such as accessibility of suburban railways or electric mobility and corresponding charging stations.

Market-defining: Large-scale requests and deals

Large-scale deals of more than 5,000 sq m continued to shape the market development in 2022. Approximately 6 percent of all leases comprise a total of more than 286,000 sq m, which amounts to almost half (47 percent) of the total. Deals between 2,500 and 5,000 sq m account for 16.4 percent of the total turnover.

Often, the reason for the dynamic demand and limited supply in the state-of-the-art, large-scale segment is a "forced" relocation of some major users. They only use about two-thirds (60 to 70 percent) of the previous rental space after relocation, but new spaces provide a much higher quality of development. Furthermore, necessary conversion measures take significantly longer due to the shortage of skilled labour and materials. Therefore the general timeframe until office spaces are ready to use increase significantly.

RENTS PER SQUARE METER BY SUBMARKET

SUBMARKET	RENT (MIN.)	RENT (MAX.)
City	15.00 €	37.00 €
City South	8.50 €	23.80 €
Bahrenfeld	8.50 €	22.50 €
HafenCity	21.00 €	32.00 €
Other locations	8.00 €	28.00 €

Rate of subletting rapidly increase

Companies that leave their "old" spaces often downsize but choose a more modern innovative office concept for their new office location. As a result of this the market faces an increased share of subletting of old spaces, which usually are subsidized and therefore offer more favourable lease terms.

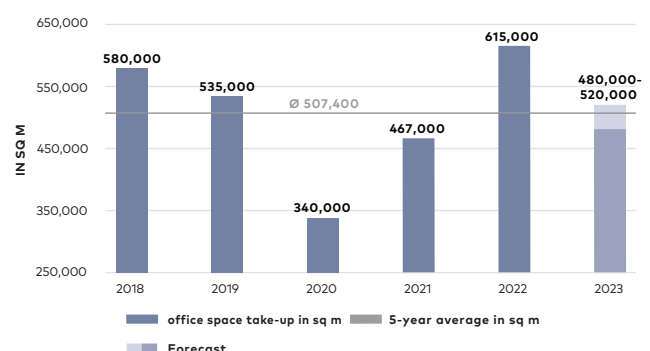
Lack of new construction puts pressure on revitalizing of existing buildings

The trend of increasing construction costs and ever present shortage of materials continued throughout the entire year 2022, causing new construction projects to be delayed, postponed or, in some instances, even cancelled entirely.

FAST FACTS

Office space take-up	615,000 sq m
Vacancies	408,500 sq m
Vacancy rate	3.1 %
Prime rent	31.50 €/sq m
Average rent	21.50 €/sq m

OFFICE SPACE TAKE-UP



MAJOR OFFICE TAKE-UP DEALS 2022

TENANT / COMPANY	INDUSTRY	OFFICE LOCATION	OFFICE SPACE TAKE-UP IN SQ M
Dataport	public sector	City South	40,000 sq m
HASPA	finance & insurance	City	33,250 sq m
Reemtsma	industrial sector	Bahrenfeld	15,000 sq m
VTG	transport & infrastructure	HafenCity	11,500 sq m

Consequently, existing spaces are still in high demand and vacancies are going down accordingly, particularly in sought-after top locations with a good infrastructure. Revitalized properties cannot meet the high demand at this time, and they can compensate for the lack of new construction only to some extent.

Central office locations are in high demand

With respect to the office locations, the demand continues to focus strongly on districts and locations with excellent infrastructure and top locational quality. More than 172,000 sq m, i.e. more than a quarter of all newly leased office spaces are located in the City district; in total, office locations in the City account for 28 percent of the office space take-up. The HafenCity district is second with approximately 20 percent. Within the HafenCity district, leases in the Elbbrücken district account for almost half of all leases (48 percent). Approximately 14 percent of the lease take-up is generated in the City South district.

The highest rents are generated in the City

The growing demand for office spaces with a high equipment standard has caused the average rent to increase: For office properties in Hamburg, it amounts to EUR 21.50/sq m now. The prime rent remains stable at EUR 31.50/sq m.

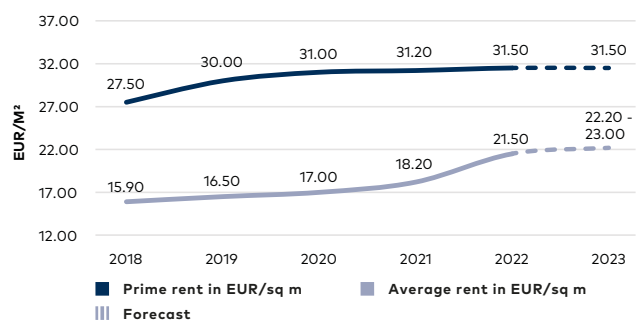
The highest rents are achieved in the City: Here, they range from EUR 15/sq m to peaks of up to EUR 37/sq m for high end offices.

Business-related service providers are the most important group of tenants

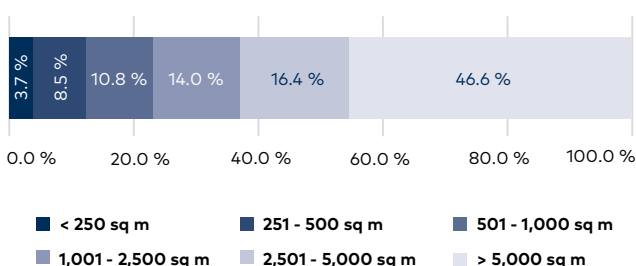
With more than 18 percent, business-related service providers constitute the largest group of tenants. Even though these companies do not conclude the largest individual deals, business-related service providers, being one of the most dynamic and labour-intensive sectors, absorb the largest share of the overall space. Their take-up is above-average share in small spaces and primarily medium-sized spaces between 1,000 and 4,500 sq m.

Apart from that, the most important customers in 2022 were organisations from the public sector (approx. 16 percent) and companies from the finance and insurance industries (14 percent).

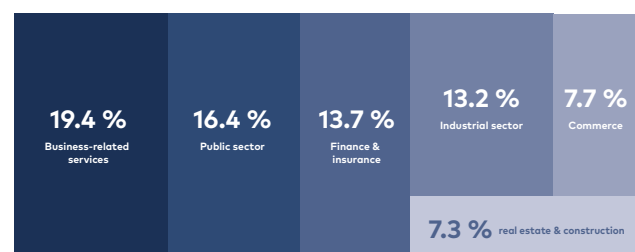
PRIME AND AVERAGE RENT¹



OFFICE SPACE TAKE-UP BY SIZE



TOP INDUSTRIES



The largest individual deals in 2022 were the lease of 40,000 sq m by Dataport, the public sector IT service provider in the City South district, and the HASPA lease of more than 33,000 sq m at the Deutschlandhaus in the City. The latter has been concluded without noteworthy involvement of a broker. The lease of 15,000 sq m of office spaces by Reemtsma in Bahrenfeld, where Robert C. Spies acted as a consultant, constituted the third largest deal.

Outlook: Dynamic start to the year 2023

Robert C. Spies anticipates a very good first quarter with leases significantly exceeding 100,000 sq m. Despite the rather modest economic framework data, 2023 will be characterised by a solid office space take-up, driven mostly by the first half of the year. The total office space take-up in 2023 is expected to achieve the level of the 5-year average, between 480,000 and 520,000 sq m. The vacancy rate is going to decrease.

In 2023, an "market within the market" which evolved because of subleases is going to become more and more important. Companies that reduce their office spaces before the end of the original lease term tend to sublet, usually with significant subsidisation of these spaces. These subsidised subleased spaces put significant price pressure on the high-priced existing spaces on the office market.

A healthy balance of supply and demand is not to be expected until two or three years from now, when the catch-up effects regarding new construction projects that have not yet been completed gain traction from 2025. In 2023, delays in office projects and slow approvals for change of use further aggravate the supply situation of high-quality office space.

FIGURE OF THE YEAR

Large-scale users renting new spaces often reduce their office spaces to only two thirds of the previous size in the new lease. At the same time, development quality and quality of stay are becoming extremely important.



OUTLOOK 2023



"In 2023, Hamburg sails near the wind, but due to the wide variety of industries, continues to be highly attractive for companies and investors."

GORDON BERACZ // TEAM LEADER OFFICE LEASING



contact.



Gordon Beracz
TEAM LEADER
OFFICE LEASING



Peter Kaiser
HEAD OF RESEARCH

Robert C. Spies Gewerbe & Investment GmbH & Co. KG

Caffamacherreihe 8
20355 Hamburg

P +49 (0) 40 325 09 19-90

E anfrage.hh@robertcspies.de

Note: Data as of: 27/12/2022

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