ROBERT C. SPIES

The Hamburg investment market

Q1 – Q3/2023

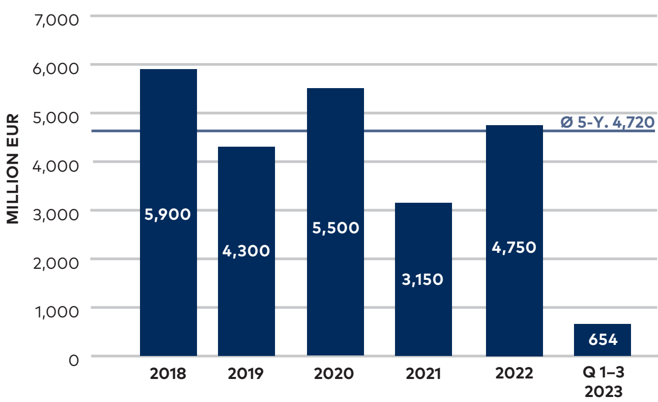
Macroeconomic conditions

After the (technical) recession in the first half of 2023, Germany's economic performance is currently in a state of stagnation. The growth outlook is looking gloomy and it is not yet clear whether this is "only" a cyclical weakness or a structural growth weakness. According to the EU Commission's summer forecast, the German economy will shrink overall by 0.4 percent in 2023. In the coming year, minor growth of 1.1 percent is expected. Reasons for this are the sharp rise in energy costs caused by the war in Ukraine and high inflation, which have prompted the European Central Bank to increase the main refinancing rate ten times since the summer of 2022, to what is currently 4.5 percent. The sharp rise in lending costs, together with continued high construction costs and an uncertain political climate with regard to property subsidies and building energy legislation, all came together to form a "perfect storm" that had a strong impact on the real estate industry and, in particular, on planned project developments and those under construction. This is also effecting Hamburg's real estate market.

A roundup of the market

The investment market in Hamburg saw a transaction volume of 654 million euros in the first three quarters of 2023, representing the weakest turnover result since the financial crisis. The reason for this weak result in the first three quarters is the lack of major real estate deals. The purchase of the "Möhringhaus" building on "Neuer Wall" in Hamburg's city centre for 150 million euros by "Aachener Grundvermögen Kapitalverwaltungsgesellschaft" was the largest transaction in 2023 to date. Demand from institutional investors has remained guarded, due to the sharp rise in lending costs and a mood of uncertainty among economic players. More and more buyers who are not dependent on excessive financing or the resulting leverage are currently profiting from this state of affairs.

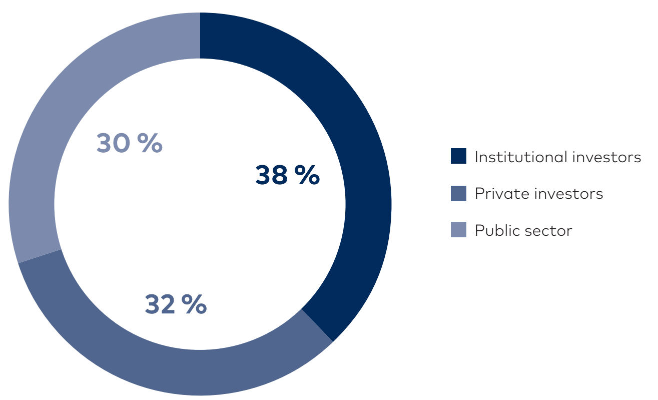
TRANSACTION VOLUME



Public sector strongly represented

As a result, the strongest buyer group in the first three quarters consisted of family offices and the public sector, with a combined share of approximately 62 percent. The latter's strong representation is mainly attributable to the buyback of the financial authority building on "Gänsemarkt". The remaining market share is divided among the group of institutional investors. Aside from the "Aachener Grund" acquisition, we are registering activities above all from European countries.

TRANSACTION VOLUME – RATIOS BY BUYER GROUP



New market level for future pricing

The interest rate hikes to combat inflation are showing the first effects on a European scale, and there are signs that – for the first time in September – the ECB will not turn the interest rate spiral any further. This tangible calming of the interest rate market at present makes it easier for market players to calculate.

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Moreover, after the decline in purchase price factors by 20 to 30 percent, there is a new market level in place that serves as a foundation for realistic pricing. As a result, we are witnessing a cautious return of buyers and a slight increase in demand from institutional investors. This is being spurred on by the return of the first international profit hunters and, at the same time, by the imminent, necessary and unavoidable portfolio adjustments of major financial intermediaries.

Market recovery not expected until 2024

Several more transactions are likely to be closed in Q4 2023, but Robert C. Spies does not expect a noticeable upturn until the coming year 2024, when institutional investors and funds are set to become increasingly active on the Hamburg investment market once again. The total annual volume for 2023 will, in all probability, be the weakest result of the last ten years, amounting to, at most, around a quarter of the five-year average of 4.72 billion euros. Nonetheless, the solid user market in Hamburg does open up potential in the coming weeks – especially in the office real estate and hotel sectors.

„We are seeing a cautious return of buyers and a slight increase in demand from institutional investors."

FLORIAN VOGLER
SUBSIDIARY MANAGER COMMERCIAL & INVESTMENT HAMBURG

OUTLOOK 2024

Interest rate development	Transactions	Purchase price factors
→	↗	→

TOP-DEALS

ADDRESS	GROSS FLOOR SPACE	UTILISATION	TRANSACTION VOLUME
Neuer Wall 25-31	10,700 m^2	Offices, Retail	150 mill. EUR
Gänsemarkt 36	22,399 m^2	Offices	119 mill. EUR
Barmbeker Str. 17-25	18,000 m^2	Residential, Retail	100 mill. EUR

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Please note: Data last updated on 15.09.2023
 Sources: Internal data produced by Robert C. Spies KG, MSCI RCA - Real Capital Analytics; Thomas Daily Premium; IZ Research.