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GUEST WEBINARS

An Introduction to Commercial Office Markets Hamburg

In partnership with:

UCEM



An Introduction to Office Investment Markets: Hamburg



Prof Dr. Michael Becken

Academia

- Doctor of Law from the University of Bremen.
- Professor für Betriebswirtschaftslehre at the Northern Business School, Hamburg.

Industry

- Managing Partner at the Becken Group (Est 1978).
- Specialist in commercial and resident asset management, development and investment.
- Becken Group projects include:

Offices:

- » Unit Offices, Offenbach (14, 000sq m).
- » High Lines, Frankfurt am Main (10,805 sq m).

Residential:

- » Romanpark, Munich.
- » Boa Vista, Hamburg.



David Hourihan
MSc FSCSI FRICS FHEA

Academia

- Graduated from UCEM MSc in Property Investment in 2008.
- UCEM Programmes Leader for the BSc Real Estate Management and MSc Real Estate.

Industry

- 17 years of commercial real estate experience across the UK and Ireland.
- Specialist in investment, office agency, retail asset management and valuation.
- Previous positions with international firms including JLL and Colliers International.
- Acquisition and asset management instructions for clients including Société Générale, Metzler Bank, Mobil Oil, Scottish Widows, Aviva and British Land.
- Member of the Investment Property Forum (IPF).

SCSI / RICS APC

- APC Chairman.

1. Introduction: The Hamburg Office Investment Markets: Overview

Hamburg Office sub-markets

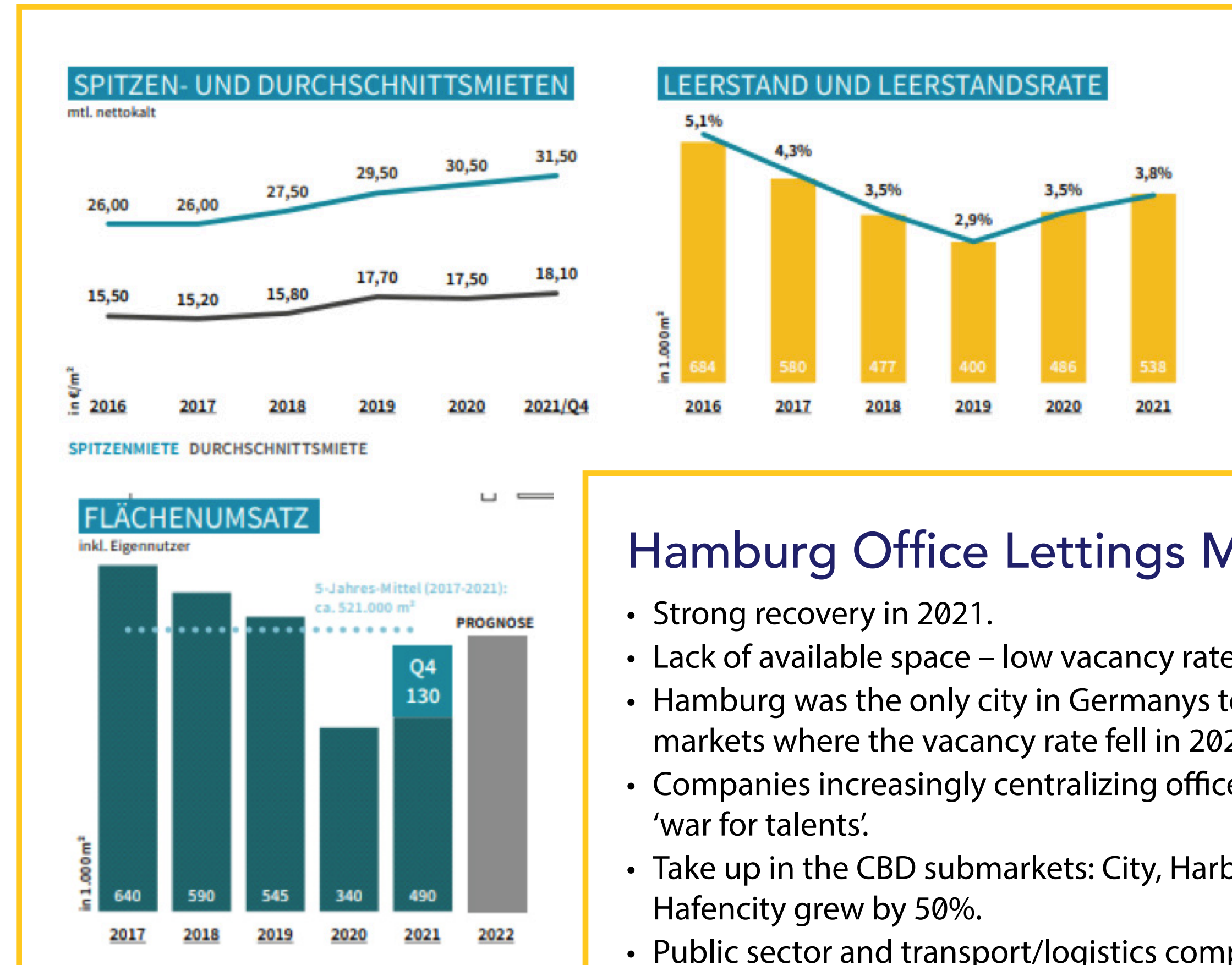


Source: Grossmann & Berger GmbH

Teilmarkt	Flächenumsatz in m² inkl. Eigennutzer	Leerstand in m²	Leerstand in %	Nachhaltig erzielte Mieten in €/m² mtl. nettokalt
1 City	126.100	112.200	3,8%	12,00 – 35,00
2 HafenCity	42.600	28.300	5,1%	16,20 – 28,00
3 Hafenrand	15.700	18.100	8,5%	13,50 – 22,00
4 Alster West	2.900	6.400	1,2%	18,70 – 23,00
5 Alster Ost	5.900	3.700	1,1%	11,50 – 20,00
6 St. Georg	3.400	24.000	5,4%	13,50 – 18,00
7 City Süd	52.400	84.300	5,0%	8,00 – 17,50
8 St. Pauli	9.800	20.500	4,5%	8,00 – 23,00
9 Altona	22.500	20.100	2,7%	10,00 – 20,00
10 Bahrenfeld	27.000	53.400	11,2%	10,00 – 17,20
11 Eimsbüttel	12.700	6.000	2,7%	8,00 – 18,50
12 Eppendorf	22.100	11.500	3,6%	12,30 – 21,00
13 Am Flughafen	7.800	9.400	1,1%	8,50 – 15,00
14 City Nord	45.100	16.000	2,8%	11,50 – 19,60
15 Barmbek	7.800	14.800	2,5%	10,50 – 16,00
16 Wandsbek	7.800	38.400	6,2%	8,50 – 17,00
17 Harburg	19.100	14.800	1,6%	7,50 – 14,80
18 Hamburg Ost	52.900	42.700	4,4%	5,00 – 18,80
19 Hamburg West	6.400	13.000	3,0%	9,30 – 19,00
Gesamt	490.000	537.600	3,8%	5,00 – 35,00

2. Hamburg Office Lettings Sub-sectors

Hamburg Office Occupier Market



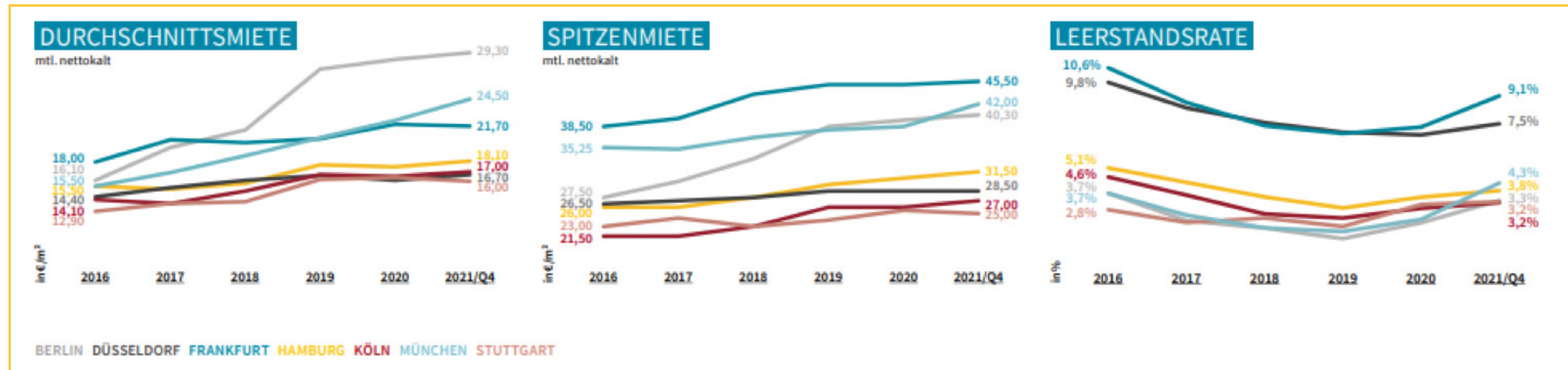
Hamburg Office Lettings Markets:

- Strong recovery in 2021.
- Lack of available space – low vacancy rate.
- Hamburg was the only city in Germany's top five office markets where the vacancy rate fell in 2021.
- Companies increasingly centralizing office space in a 'war for talents'.
- Take up in the CBD submarkets: City, Harbour and Hafencity grew by 50%.
- Public sector and transport/logistics companies most active in seeking space.
- Demand also from flexible office operators

German Office Lease Terms:

- Common lease agreements based on the Bürgerliches Gesetzbuch (the German Civil Code).
- Any additional lease clauses must comply with this Civil Code.
- Commercial leases less regulated in comparison to residential leases (they are generally viewed as more tenant friendly).
- Rents usually quoted in Euros per sq m and are payable monthly in advance.
- Commercial leases are usually 5-10 years and often with an option to renew for another 5 years. (Longer leases of 15-20 years normally associated with retail units).
- The maximum lease term is 30 years. Each party can thereafter terminate the lease after a statutory notice period.
- Break options in leases are freely negotiable and normally occur in year 5 of a longer lease.
- For leases with a minimum lease term of 10 years rents are adjusted annually in accordance with the German Consumer Price Index. Alternatively, some leases have pre-agreed 'stepped' rental increases.
- Under German law the landlord is liable for any maintenance and repairs in a building, however, in practice, most lease agreements shift some responsibility for internal repairs and decorations to the tenant.
- In a multi-tenanted building, each tenant will pay towards a service charge for water, cleaning, heating and waste disposal, any property tax ("Grundsteuer") and building insurance.
- Subletting only permissible with landlord's prior consent. If consent is unreasonably withheld, then the tenant can terminate the lease.

3. The Hamburg Office Investment Market: Key Statistics

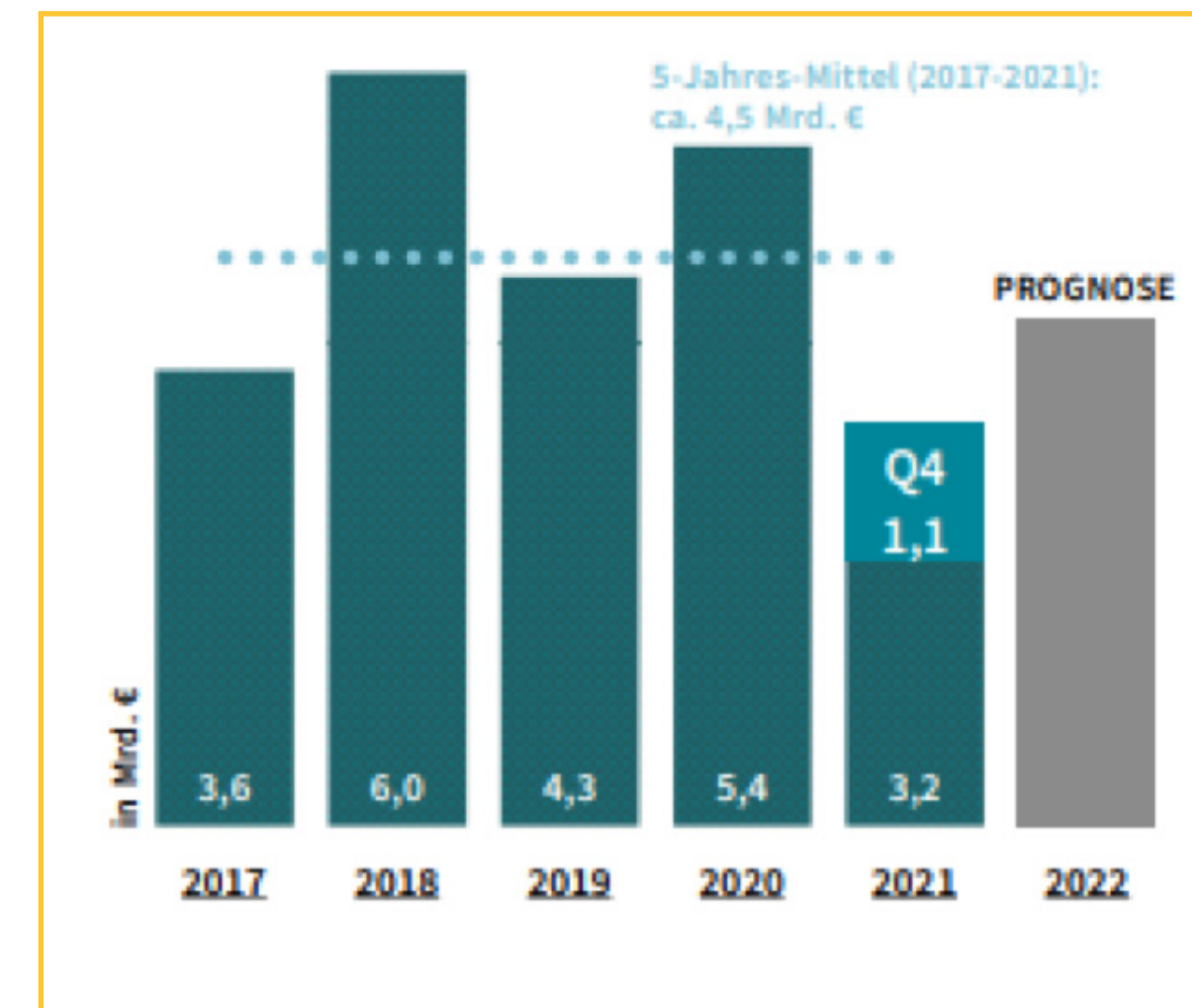


Source: Grossmann & BergerGmbH

Hamburg Office Investment Market in 2021

- Main focus in the Hamburg property investment market in 2021 was on multifamily investments.
- Strong demand for office investments but very few office investments were available over 2021. This resulted in a decline in turnover rate in office investments.
- In contrast, turnover was high in the warehouse/logistics sector, reaching an all time high of €461m.
- German investors dominate the Hamburg property investment market. Some international involvement in 2021 due to the Heimstaden-Akelius deal.
- Further compression on prime yield for grade A office properties.

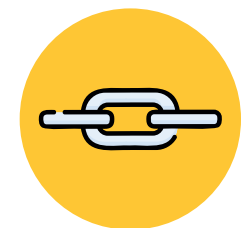
Source: CBRE



Source: Grossmann & BergerGmbH

4. The Hamburg Office Investment Market: Key Trends & Forecasts

SWOT Analysis of Hamburg Office Investment



Strengths

- JLL GRETI 2020 (11th edit) – Germany ranked no 10 out of 99 countries and territories.
- Germany is Europe's largest investment market.
- Compressed prime yields – Very limited supply of Core investments.
- Excellent transport links: International Airport, major railway station and motorway links.
- No restrictions on the foreign ownership of German property.



Weaknesses

- Purchaser subject to a Grunderwerbsteuer (real estate transfer) tax of between 3.5% - 6.5% depending on the German state.
- Uncertainty remains regarding the EU's trading relationship with the UK post Brexit.
- Space measurement practices vary between cities and developers.



Opportunities

- Influx of office occupiers into Germany post Brexit.
- Investors with higher tolerances to risk will find more opportunities.



Threats

- Unknown long-term impact of COVID-19.
- Inflationary pressures (food, energy, raw material etc) leading to rising interest rates.
- NATO/Russian tensions.
- Tensions between the democratic and authoritarian states within the EU.

Key predictions for 2022

- An increase in Hamburg office lettings activity post-COVID-era.
- The main focus for occupiers (and office investors) will continue to be on the CBD.
- Prime rents are forecasted to reach €33 per sq m / per month.
- Excess demand from investors for ESG-compliant prime office investments will continue.
- A volume of €5bn may be achieved which will bring levels roughly back to pre-Corona levels in 2019.



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Upcoming webinars

- Interview: Andrea Carpenter, Founder | Diversity Talks Real Estate
2nd March 2022 | 11:30am GMT
- Interview: Liane Hartley, Founder | Urbanistas
16th March 2022 | 11:00am GMT
- Interview: Kirsty Watt, Founder | HerCollective
23rd March 2022 | 11:00am GMT



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