

## H1 2011\* compared to...

	H1 10	H2 10
Take-up	↑	↑
Prime rent	→	→
Prime yield	↓	↓

\*Half yearly comparisons relate to the municipal area

## H1 2011 from expert's point of view

Frank Freitag,  
Head of Agency Industrial Hamburg:

'Demand for warehouse and logistics space is currently very high and therefore we expect prime rents to rise slightly and vacancy to fall over the course of the year.'

Dr. Jan Linsin,  
Head of Research Germany:

'The German logistics industry was very robust during the first half of 2011. In addition to a strong export business, the manufacturing industry and trade were extremely dynamic. Accordingly, both investor and user demand for suitable warehouse and logistics in Hamburg is high. By the middle of the year, investment volume was only slightly below the previous year's total result. In view of the very high demand for core products, prime yields have reduced steadily over the past twelve months and are currently lying at the 2007 level.'

## OVERVIEW

### • Sustained high demand

A total of 378,000 sq m of warehouse and logistic space was brokered to tenants or owner-occupiers during the first half of the year in Hamburg's property market; this is the highest half-yearly take-up figure registered over the last five years. Almost two thirds of the take-up volume was registered for Hamburg itself and a third for its Greater Hamburg area.

### • Harburg/Süderelbe registered the highest take-up

The area of the city south of the River Elbe registered a 22% share of take-up, with strong demand for new space coming from companies already resident in Hamburg.

### • Stable share of take-up for owner-occupiers

The share of total take-up accounted for by owner-occupiers has fluctuated only slightly over the last few quarters, reaching 22% by the end of the first half of 2011. Traditionally, owner-occupier projects have mainly been realised beyond Hamburg's city borders and this was also the case during the first half of the year.

### • An increasing shortage of space registered in some segments

The supply of existing space remains good; however, there is an increasing shortage of modern and new-build space with between 3,000 sq m and 5,000 sq m. The significance of pre-lettings is therefore increasing substantially in this segment.

### • Prime rent has remained stable for the last three quarters

The prime rent has remained stable over the past twelve months, at 5.60 €/sq m/month. Good economic outline conditions, a strong letting performance and continued high demand mean that a slight rise in the prime rent is possible by the end of the year.

### • Institutional investors re-joining the market in addition to owner-occupiers

Warehouse and logistic properties are being sold, particularly in peripheral areas. In the whole of the market area (city and the Greater Hamburg area) the transaction volume reached approx. €122m, which equates to a rise of 86% compared to last year. The prime yield (net initial yield) has fallen by 75 basis points to 6.50% during the same period.

### Hamburg port: Container terminal



Source: Hamburg port authority

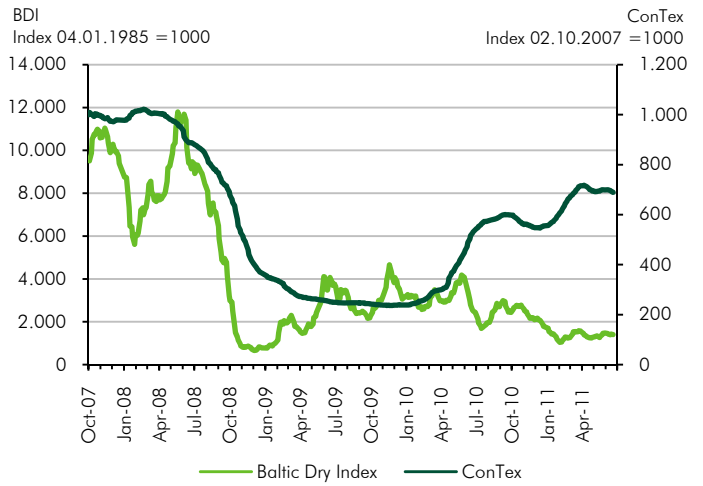
**MARKET ENVIRONMENT**

Activities in the warehouse and logistics market in a port city such as Hamburg are indirectly influenced by developments in worldwide maritime trade. On one hand, cargo rates in container shipping (ConTex) have recovered since the beginning of last year, although this recovery has slowed somewhat since April 2011. On the other hand, the cargo rate for bulk cargo – measured against the Baltic Dry Index (BDI) – has remained at a very low level. This is a reflection of falling demand for commodities in China and cost saving measures implemented within the EU.

In contrast, at local level the container terminal at Hamburg’s port has registered a steady rise in the handling volume. Year-on-year growth of 18.2% (€2.1m) was registered in the first quarter. During the financial crisis, rival ports in Rotterdam and Antwerp registered lower falls in cargo handling volumes than Hamburg; however, Hamburg is beginning to regain some of the market share lost. Economic recovery in the Baltic States and thus increasing feeder traffic in particular supported the re-strengthening of container handling.

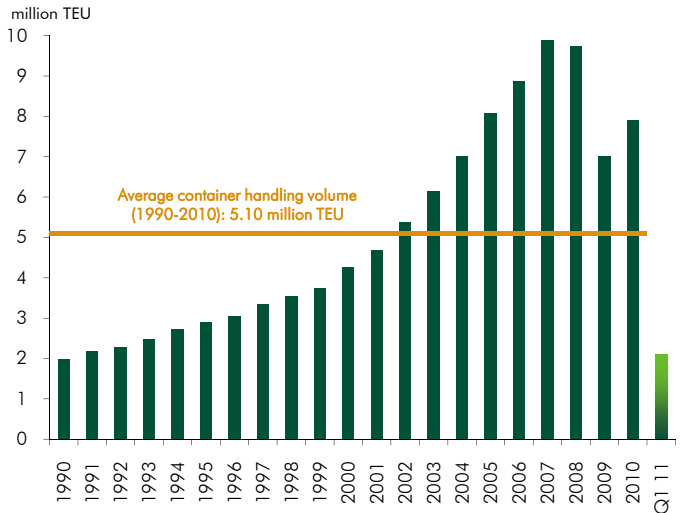
As a consequence, expectations of most companies from the wholesale and export sectors resident in the Hanseatic city are currently improving. The positive business outlook has spread to a degree not seen for the past three years. In addition, currently around 21% of companies questioned have stated that they are planning for possible staff recruitment. However, there is an element of insecurity attached to the very positive economic expectations of Hamburg’s wholesale and export businesses over the medium to long-term, due to the mixed signals in respect to further developments in maritime transport at European and international level.

**Baltic dry (dry bulk) and ConTex (container) seafreight rate indices**



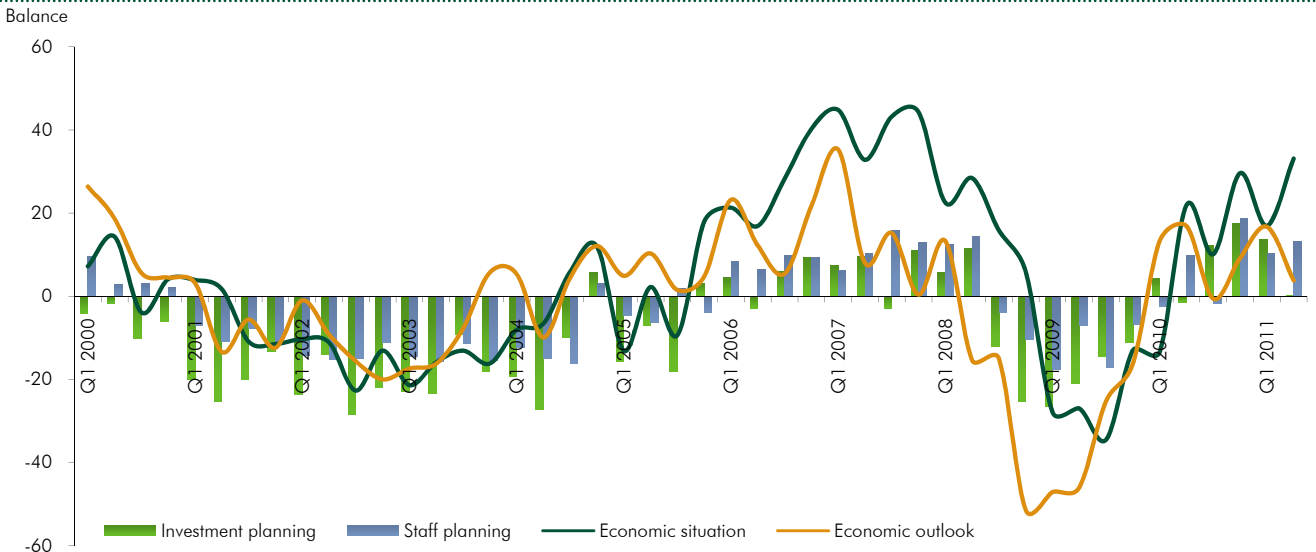
Source: Baltic Exchange, Hamburg Shipbroker’s Association

**Port of Hamburg: Container handling volume**



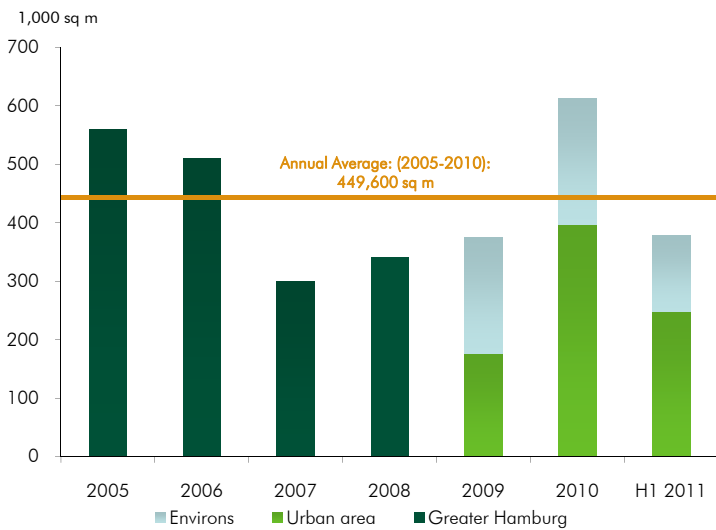
Source: Port of Hamburg

**Hamburg’s economy barometer – Economic sector: Wholesale / export**



Source: Hamburg chamber of commerce; <http://www.hk24.de>

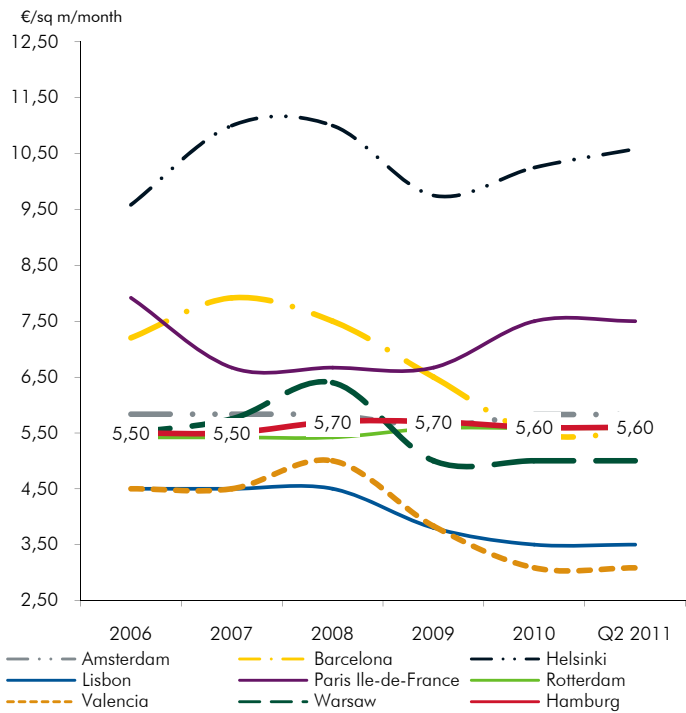
**Take-up**



**TAKE-UP**

A remarkably high volume of take-up of 378,000 sq m was registered for warehouse and logistic space in the first half of 2011. Compared to the previous year, this equates to growth of 56%. The largest transaction was the letting by the textile and leather processing company Vestuario in Buchholz, which included approx. 19,600 sq m of warehouse space and 1,600 sq m of office space. Although other major lettings took place in the Greater Hamburg area, almost two thirds of take-up was registered in the city area.

**Prime rents – Pan-European comparison**



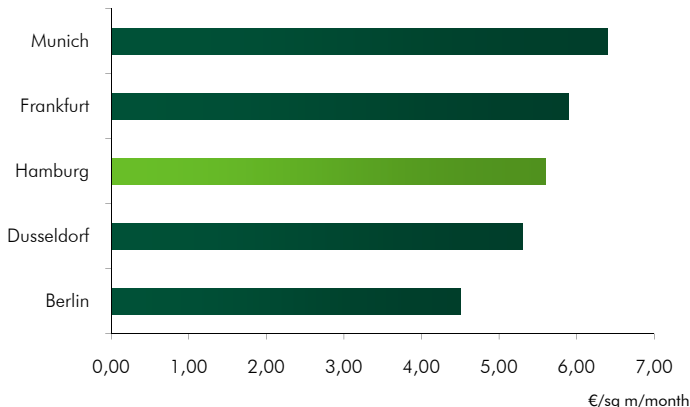
In the recessionary year 2009, an inexpensive rent for space was the most important criterion behind the letting decisions of companies and therefore, at that time, more than half of the take-up volume was generated in the Greater Hamburg area. Demand was concentrated on a small number of locations, with half of the total take-up registered in the sub-markets Harburg/Süderelbe, Billbrook, Hamburg-West and Allermöhe.

Almost a third of the half-year result was generated by large-scale transactions above the 10,000 sq m mark. At the same time, the significance of the middle to smaller size category to the market result is clear: four of every five lettings registered in the first half of 2011 concerned space with less than 5,000 sq m. Currently, the proportion of pre-lettings in projects accounts for 18% of the total take-up volume. If the take-up level remains high and thus available supply reduces, pre-lettings will play a more important role.

**RENTS**

Prime rents have stabilised throughout Europe since 2010. In the interim, however, there has been a strong fluctuation in prime rents observed as a consequence of the financial crisis and downturn in world trade; however, prime rental trends in the warehouse and logistics market in the Hanseatic city have remained robust. Here, the prime rent fluctuated by 20 Euro Cents.

**Prime rents – Comparison Germany**



As a result, the achievable prime rent remained at the same level as the previous year, at 5.60 €/sq m/month. The reason for this stability is the sustained shortage of very modern space with transmodal transport links within the proximity of the port. In contrast to this, the weighted average rent has reduced by 6.9% to 4.07 €/sq m/month compared to last year. The reason for this trend is the onset of a supply shortage in the high-priced segment and thus increased letting activity in respect of warehouse space with a poorer specification at accordingly lower rental levels.

**COMPLETIONS AND PIPELINE**

So far this year only 38,000 sq m of warehouse and logistic space has been completed. Speculative space is not included in this figure. Furthermore, of the 125,200 sq m of space expected to be released onto the market by the end of the year, only 1,000 sq m has been constructed speculatively. By the end of 2012, owner-occupied projects were the most dominant, accounting for a share of 56% of the future supply. Space in the submarkets Harburg/Süderelbe and Billbrook, which are not pre-let or reserved for owner-occupation, is expected to be released onto the market only from next year i.e. only in locations within the city limits. A smaller number of larger-scale projects will also be initiated within Hamburg. Due to the high demand for modern space in the proximity of the port, the likelihood of swift lettings of suitable projects is very high. In contrast, a higher number of smaller projects are being developed beyond Hamburg's city borders. In total, 71% of the 229,000 sq m of space expected to be released by the end of 2012 is already under construction.

**INVESTMENT**

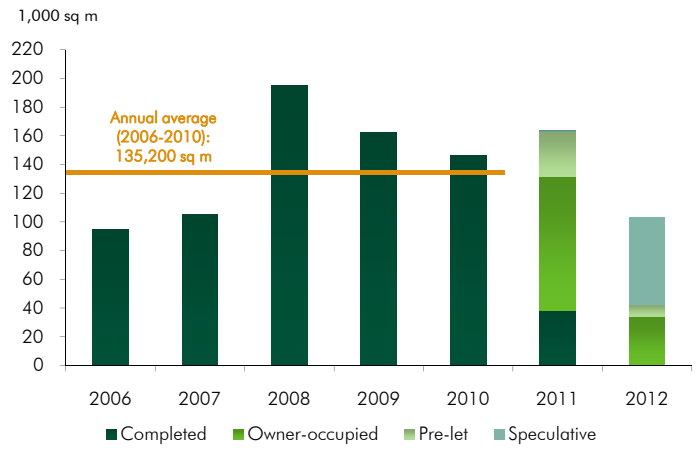
The higher demand from investors for warehouse and logistics properties is also now reflected in the results of the investment market in the first half of 2011, not least caused by the positive results in the rental market. With a registered transaction volume of around €122m of warehouse and logistics properties, the result for the whole of 2010 has almost been reached. This is a significant 86% higher than the previous year's result. Most of this transaction volume, almost 80%, concerned properties in the Greater Hamburg area.

The sale of a commercial park in Glinde at a price significantly above the €50m mark was the largest transaction for a number of years; however, most investment activities remained in the lower priced segment of up to €10m. This is mainly due to the current lack of available products with a volume which would appeal to institutional investors, not to investor demand. The increased market activity has caused a fall of 75 basis points in the prime yield over the past twelve months, which now lies at 6.50%.

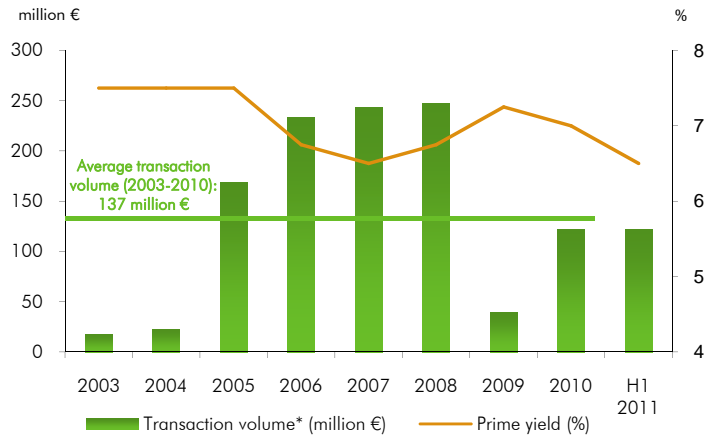
**OUTLOOK**

Although Hamburg's property market registered record take-up and turnover in warehouse and logistic space last year, a new record for the current year is already in sight. Because speculative completions are expected for release next year at the earliest, a further reduction in supply is expected. It is anticipated that this will cause a slight rise in the prime rental level by the end of the year. Although Hamburg's port has managed to regain some of the market share it lost to Rotterdam and Antwerp, the decision on the deepening of the Unterelbe shipping channel remains the principle precondition for the competitiveness of the location.

**Completions and pipeline**

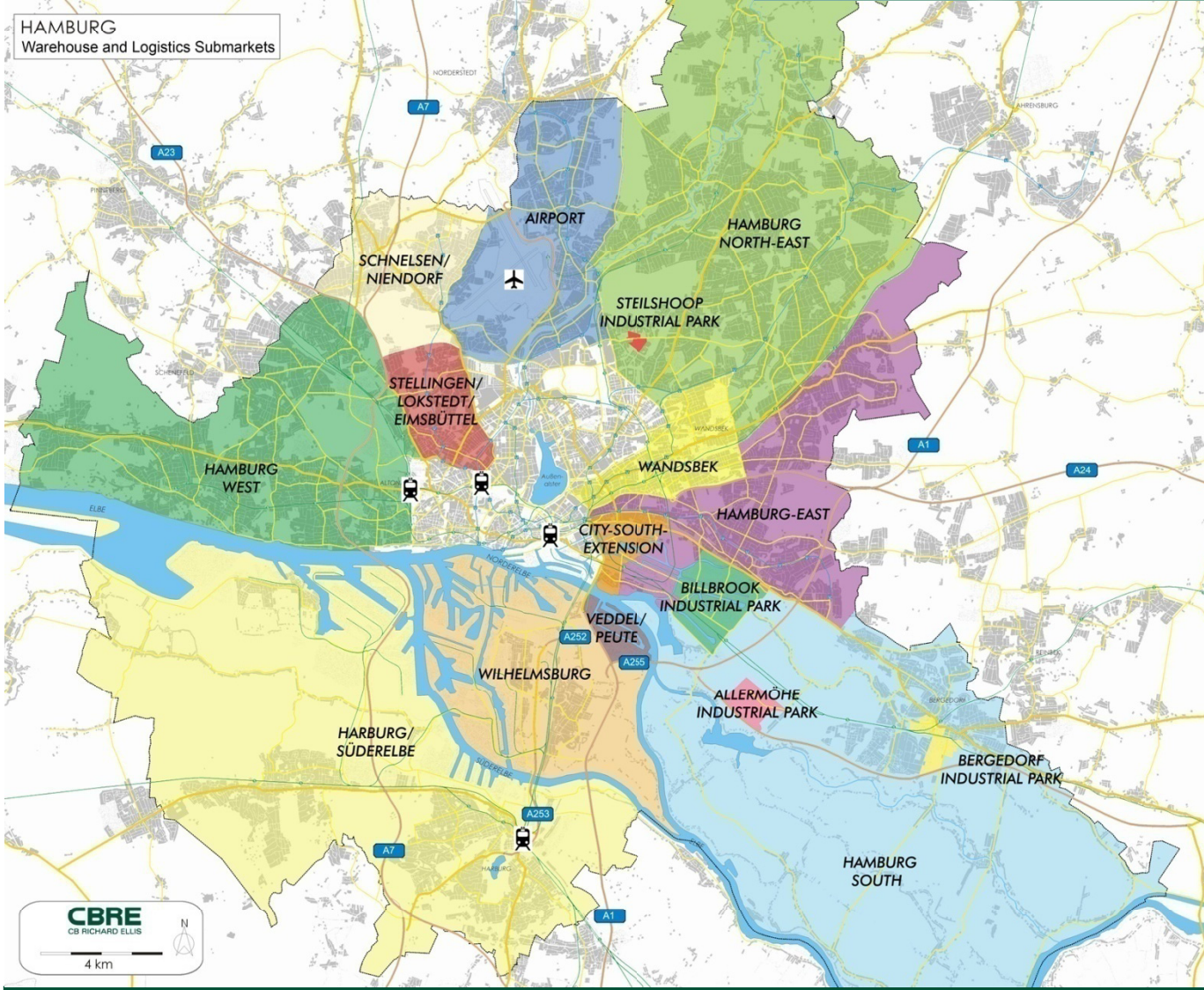


**Warehouse- and logistics: Prime yield and transaction volume\***



\*Investment volume for city area Hamburg + environs (list of municipalities belonging to market area see page 5/6)

Submarket	Cumulated take-up H1 2011 sq m	Future supply H2 2011 – 2012 sq m	Prime rent €/sq m/month
Hamburg Urban Area	130,300	141,300	5.60
Hamburg Environs	247,700	112,300	4.75
Greater Hamburg	378,000	253,600	5.60



**Hamburg market area**  
 The Hamburg warehouse and logistic market encompasses the City of Hamburg and the municipalities of Ahrensburg, Bargteheide, Barsbüttel, Buchholz, Buxtehude, Geesthacht, Glinde, Halstenbek, Henstedt-Ulzburg, Kaltenkirchen, Lüneburg, Neu-Wulmstorf/Wenzendorf (mit Rade), Norderstedt, Oststeinbek, Pinneberg, Quickborn, Reinbek, Rellingen, Rosengarten, Schenefeld, Schwarzenbek, Seevetal, Stapelfeld, Stelle, Trittau, Uetersen-Tornesch, Wedel, Wentorf and Winsen (Luhe).

**DEFINITIONS****Take-up**

This is the sum of all office space that is let, leased, or sold to an owner-occupier in a defined (sub) market and a defined period. Take-up also includes sublets of leased premises or owner-occupied space. Lease renewals are registered as space take-up if the office space let is larger than the space previously occupied. Only the additional space in an existing location will be added to take-up.

**Vacancy**

This is the sum of all completed office space which, at the time the information was registered, was not occupied or was offered for let or sale (for the purposes of further use) and which may be occupied within three months. Subletting is not considered in vacancy figures and is registered separately.

**Supply**

Supply includes the sum of all office space on offer, which is intended for marketing at the time of observation (each quarter's end) and which is still available. This includes vacant space, space to sublet and speculative completions over the next 12 months.

**Prime rent**

Prime rents are the highest sustainable nominal rent in €/sq m/month achieved in prime locations, and top-quality buildings with top-quality fit outs. These are based as much on lease transactions concluded within the defined period as on the market overview of the local letting department.

**Prime yield**

The prime yield is the ratio between annual net rental income (rent less non-recoverable costs) and the total amount invested (purchase price plus purchasers' on-costs), expressed as a percentage figure, achievable in the relevant prime location in a building with first-class fit out, let according to market conditions. It is based both on sale & purchase contracts concluded during a period and also on the market overview of the local investment department.

**Hamburg market area**

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