



Market report Germany's Top 7 cities • 2020

New Developments



ENGEL & VÖLKERS
DEVELOPMENT SERVICES

Table of contents



6

Market development



8-9

Specialist topics

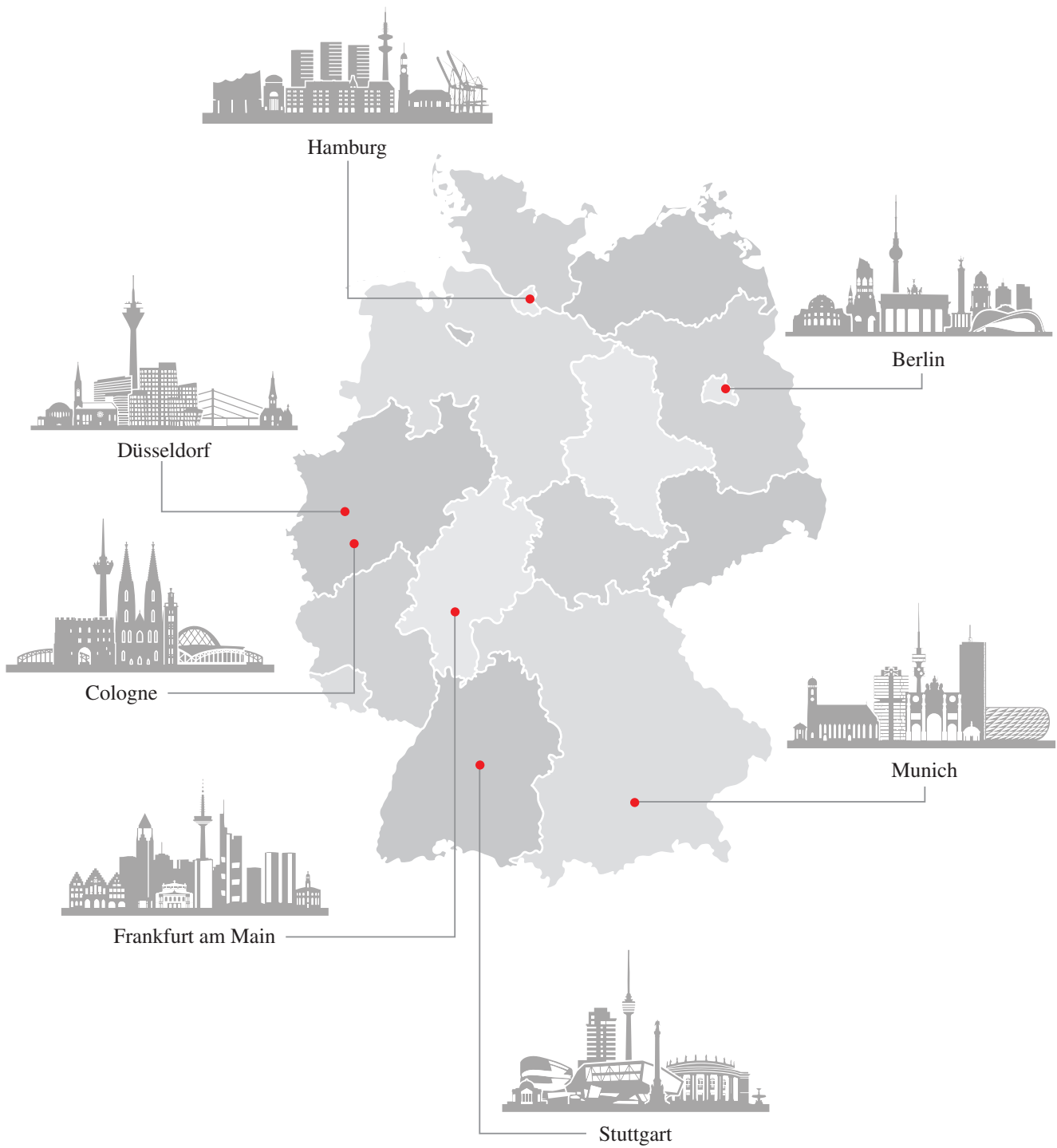


10-37

The Top 7 cities
in detail

6	New development market development	38	Stuttgart's hinterland - A growth region	47	Our new development locations in Germany
8	The rent cap	40	Thuringia - A growth region	48	Engel & Völkers - A strong brand
9	New construction as a capital investment	42	Engel & Völkers Development Services	49	Our global Engel & Völkers network
10	The Top 7 cities in detail	46	Glossary - Well-informed on every topic	50	Imprint

An analysis of the Top 7 cities





EDITORIAL

Dear Readers,

Demand for housing in Germany's metropolises continues to be strong. New construction projects are thus urgently required. The properties which are being created represent a unique opportunity for buyers to acquire modern newly constructed apartments. Whether for their own use or as a capital investment with a high potential for appreciation, many people are prepared to pay high prices for new-build properties with premium fixtures and finishes.

Our first new developments market report analyses the new construction market in Germany's Top 7 cities (Berlin, Hamburg, Munich, Cologne, Frankfurt, Düsseldorf and Stuttgart). It provides valuable information on price development, construction activity and new construction locations. In addition to this, we have conducted in-depth interviews with our local experts to discuss the developments and trends in each city in more detail. An area which we are currently focusing on is market development during the corona pandemic and the impact which the virus could have.

Project developers are faced with the daily challenge of recognising demand and market development trends to thus ensure that they build the right properties in the right locations. Use our market report as a tool and benefit from the experience which our network provides. Our local new developments experts will be happy to provide you with support.

Yours

Kai Enders
Member of the Engel & Völkers AG management board

The housing shortage is driving project development

Germany's metropolises are growing, resulting in a corresponding need for new housing. Numerous employers and a high quality of life are attracting an increasing number of people to the country's major cities. Consequently, demand for additional housing has risen significantly in recent years. New construction and refurbishment projects are delivering the easing of pressure which is so urgently required. In this report Engel & Völkers analyses the market for new developments in Germany, particularly in the Top 7 cities which are experiencing the strongest demand, namely Berlin, Hamburg, Munich, Frankfurt, Cologne, Düsseldorf and Stuttgart.

New housing is required to cater to the demand which exists in all the country's growth regions. This in turn necessitates the approval of new land for construction; the densification of inner city areas; the repurposing of conversion areas or the full refurbishment of old properties. Building plots are, however, usually scarce in urban areas and project development opportunities are therefore limited. Planners are responding to this by creating entire new districts within the scope of major urban development projects, providing housing for thousands of people. At present a total of some 62,800 new apartments are required annually in Germany's first-tier cities, however in 2019 building permits were issued for only approx. 60,000 units while only 47,000 were completed. Although the number of new homes created in Germany has been rising continuously since 2009, supply is still insufficient to satisfy demand. Price development clearly reflects the resulting strong excess demand. In early 2015 the average price for a newly constructed apartment in a Top 7 city was 4,801 euros/m². Just five years later this figure had risen to 7,565 euros/m² – an increase of some 58 percent, while the price increase for the entire country in the same period was – just 36 percent or an average price of 4,657 euros/m². This trend is expected to continue for as long as there is inflow to the metropolises and no significant increase in construction activity. It can also be assumed that many other cities which are characterised by growing demand for housing will experience stable or slightly rising prices in the new developments segment.

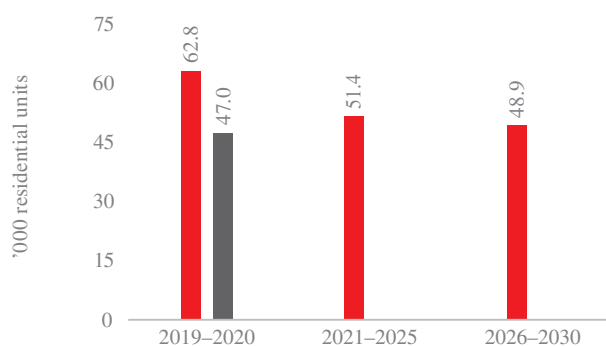
Regional differences

Regional differences in the new developments segment are even more pronounced than in the existing properties segment. Demand is undoubtedly the key driver, since without it there is no potential for newly constructed properties. Some very exclusive projects are even able to generate demand which previously did not exist in that location. As a general rule, development projects are focused on regions characterised by growth and low vacancy rates. Due to high price levels in the major cities demand is increasingly shifting to hinterland areas where the space required is available. This is particularly true for Stuttgart and this report therefore includes a focus region section which profiles the city's popular hinterland. Over and above this, some areas outside metropolitan regions are experiencing structural change or have old building stock and can thus provide lucrative opportunities should demand for housing again increase. Such development potential exists in the federal state of Thuringia, which we also discuss as a further focus region.

Residential construction trends

The quality demands made by buyers and tenants of new-build apartments are changing continuously. Project developers thus face the ongoing challenge of recognising

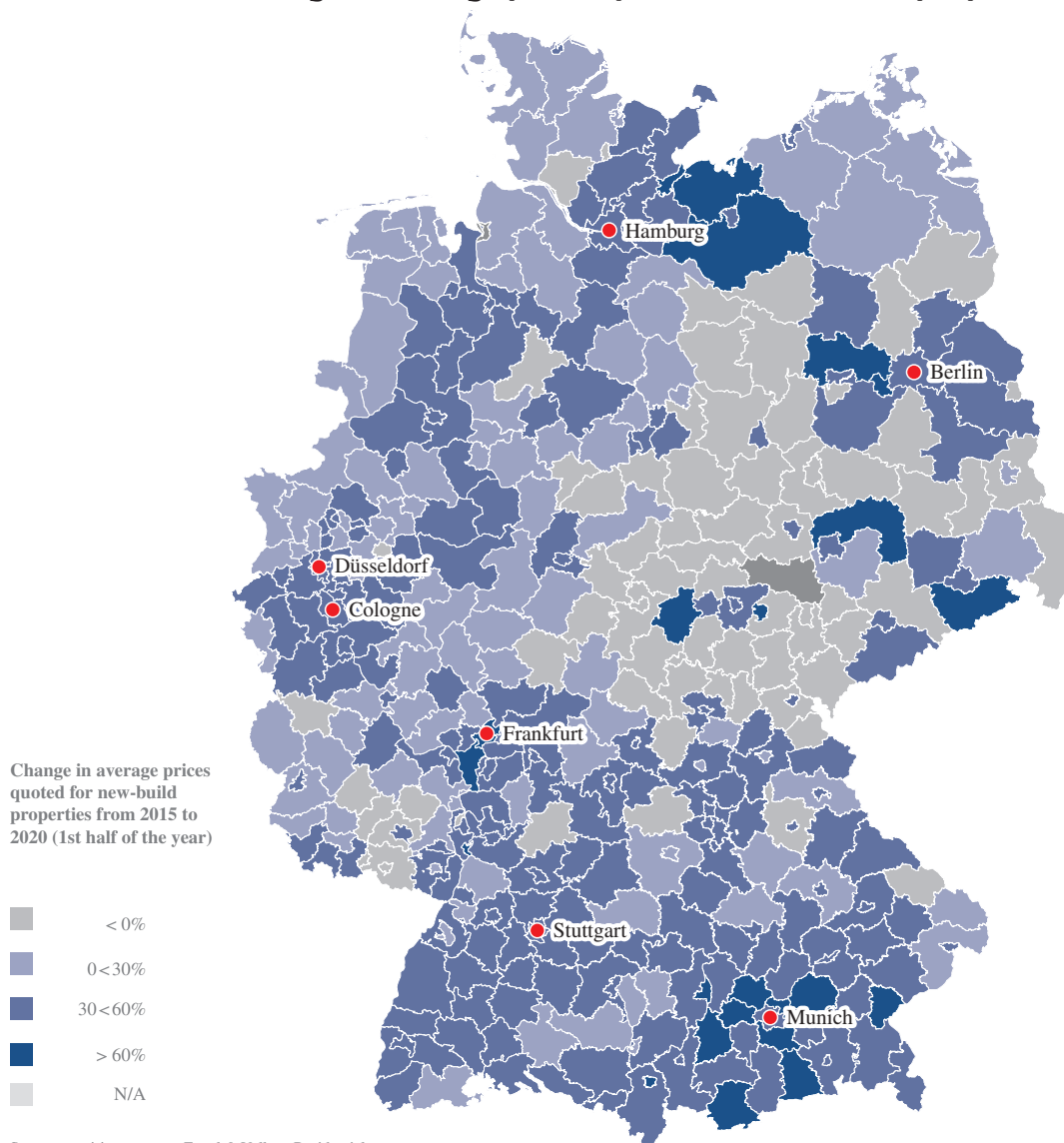
New construction requirements in 1st-tier cities up to 2030



■ Average annual new construction requirement
■ Construction completions (2019)

Source: German Economic Institute Cologne, German Federal Statistical Office, Engel & Völkers Residential

Change in average prices quoted for new-build properties



Source: empirica-systeme, Engel & Völkers Residential

new trends and realising them in residential projects. The greater the number of apartments which meet current requirements, the higher the prices which can be achieved. Demand for small apartments for singles or students is thus rising significantly in many cities and the response of project developers has been to create concepts for modern micro-apartments which include additional services. While demand for this concept primarily exists in city centres, peripheral areas are more likely to experience demand for family-friendly apartments. Good public transport connections or energy efficiency are increasingly also becoming key factors and going forward it may soon be the case that electric charging stations are required by law. In the luxury segment light and airy apartments offering city views are in particular demand, while there is again a trend to additional services, such as concierges. In addition to this modern mixed use concepts are being developed in the metropolises, combining

residential units with offices, restaurants and hotels in one single building.

The knock-on effects of the corona pandemic are likely to result in completion delays for construction projects in the coming years, however developers do not expect them to result in project cancellations. According to data collected by independent analysis company bulwiengesa, residential projects accounting for an area of some 9.7 million square metres are planned in 1st-tier cities in the period to 2024. Approximately 2.4 million square metres of this space may be affected by completion delays. The corona crisis is, however, not expected to impact prices in the new developments segment to any great extent, since there has been little change in demand. Delayed construction may even stimulate strong demand and thus price development.

The rent cap

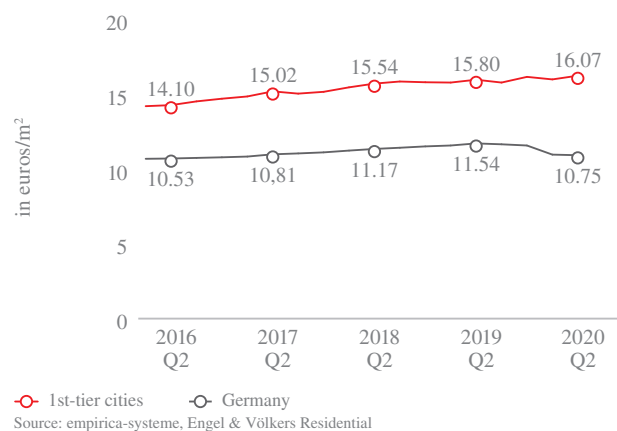
Existing rents are increasingly being curbed or even capped. This has a number of consequences for the new-build apartment market.

The rent cap has been in place in many German cities since 2015. It is a political instrument which is intended to prevent uncontrolled sharp rises in rents. New-build apartments are exempted from the rent cap so that investment in construction activity will not be inhibited, thus preventing creation of urgently required housing. In consequence the market is split into a regulated and an unregulated segment. The logical consequence of capping rents in the regulated sector is that rents in the unregulated market, i.e. for new-builds, will rise, thus making investment in new-build apartments and projects even more lucrative. The rent cap has therefore resulted in more construction activity and a simultaneous increase in the cost of new construction and building land. Due to lengthy planning and approval processes there will, however, be a delay before these effects are felt. A long-term consequence may even be that existing properties are demolished more often and quickly since newly constructed apartments on the same site have become a much more attractive option. Generally speaking, in recent years there has been a sharp rise in the number of construction permits issued. Data gathered by the German Institute for Economic Research Berlin indicates that this increase is much higher in municipalities with a rent cap than in those without restrictions. An increase in the

number of construction and planning approvals is a good indicator of construction activity planned for the coming years. The number of construction projects completed also rose again in 2019.

The rent cap was recently extended until 2025 and could have a further positive impact on new developments. Stronger intervention in the market, such as the Berlin rent cap, also excludes newly constructed properties, however in the mid-term could also result in more apartments being sold to owner-occupiers.

Rents quoted for new-builds



Project: FORM³ | AM TACHELES, Developer: pwr development GmbH



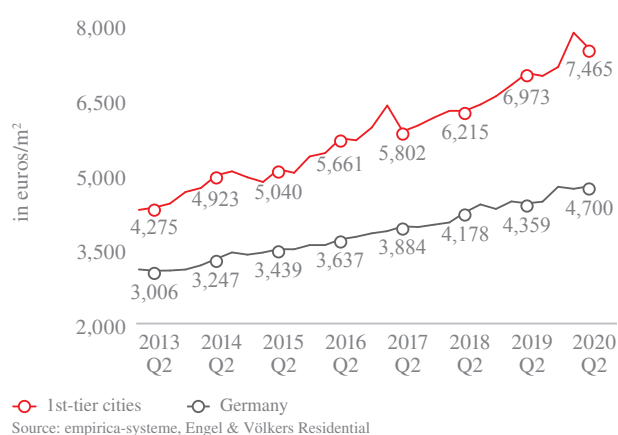
New construction as a capital investment

Equipped with modern fixtures and finishes; popular among tenants and with a high potential for appreciation, newly constructed properties represent an excellent capital investment.

New-build apartments and refurbishment properties are more expensive than existing apartments and, in addition to this, often generate a lower initial yield. They are, nevertheless, a particularly attractive proposition for capital investors pursuing a mid- or long-term investment strategy. The initial maintenance costs for new-build apartments are considerably lower and, parallel to this, higher rents can be achieved and are not subject to any political restrictions. The architectural style and fixtures and finishes used for new construction projects reflect current trends and also meet the latest technical standards. This is a particular driver for demand.

New-build apartments not only offer good yields but also great potential for appreciation. The appreciation rate for new-builds in recent years has been extremely positive. On average, the current sale price for an apartment which was purchased as a new-build in Germany in 2013 has risen by 52 percent since purchase despite the fact that seven years have passed. A review of prices in the seven 1st-tier cities indicates that appreciation is even as high as 70 percent. A good new-build or refurbishment property in an up-and-coming location in an expanding district can easily be sold on and is thus also an option for investors focusing on security. When assessing the micro-location of such properties it is, however, important to investigate the district's development in detail. New construction projects and good connections to the rest of the city can transform areas which were previously less popular into the next 'hot' neighbourhoods. In some cases entire new districts are created within the scope of large-scale projects. The corresponding apartments make suitable mid- to long-term capital investments thanks to the modern infrastructure in the surrounding residential area. Our experienced local Engel & Völkers property consultants will be happy to help you identify the right property for you.

Appreciation: Prices quoted for freehold apartments completed in 2013



BERLIN



3,769,495

Population
+5.8% (over 2014)



22,180 euros

Per capita purchasing power
92.4 (purchasing power index)



0.8%

Vacancy rate
27.6 (vacancy rate index)



15.4%

Home ownership rate
35.1 (index)

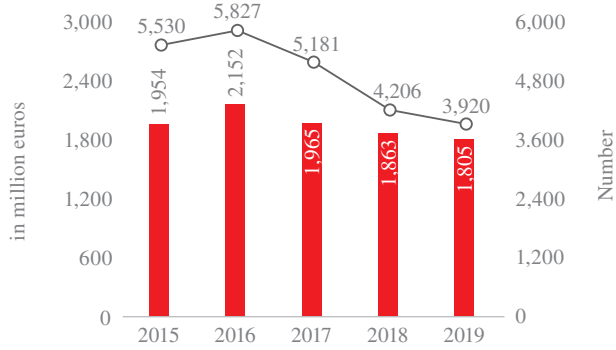


14.97 euros/m²

Rents quoted for new-builds
+4.7% (over 1st half of 2019)

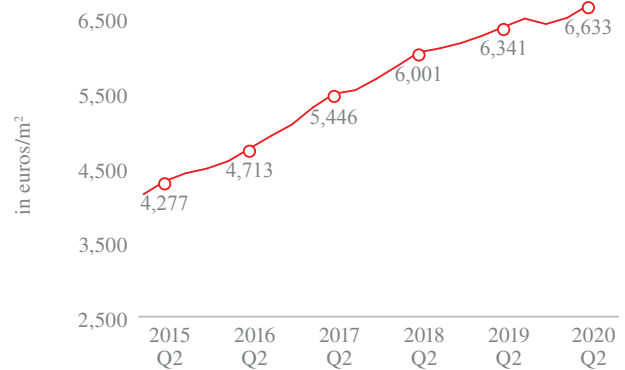
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



■ Transaction volumes ○ Number of transactions
Source: Berlin Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



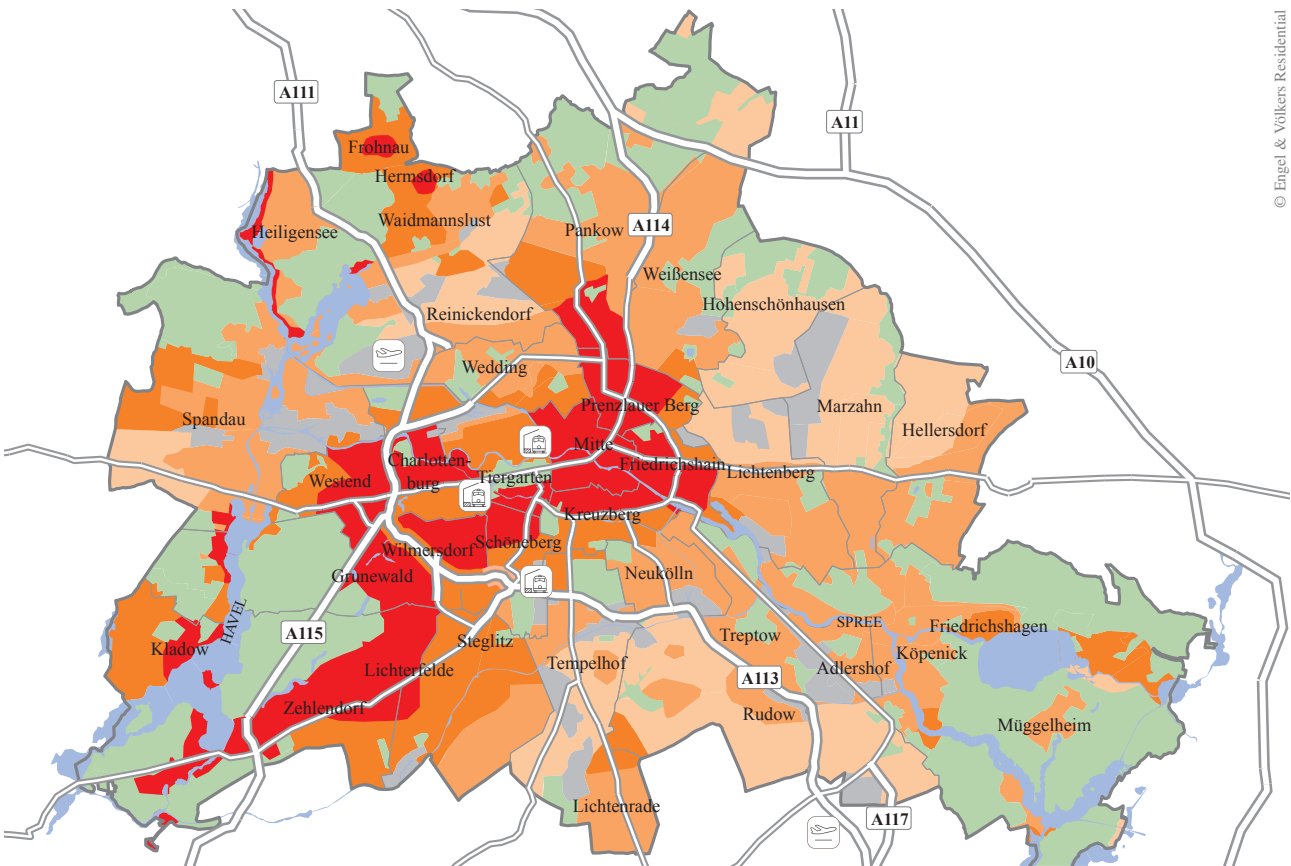
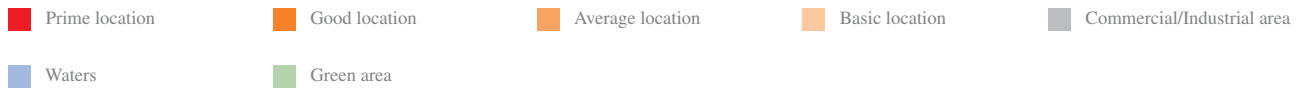
○ Price quoted (new-build)
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Weißensee	530	5,135 (+7.5%)
Charlottenburg	465	8,296 (+5.2%)
Pankow	325	5,454 (+3.9%)
Friedrichshain	305	7,053 (+9.8%)
Mitte	303	8,366 (+10.3%)
Neukölln	222	6,206 (+3.6%)
Wilmerdorf	215	7,728 (+11.0%)
Tiergarten	189	7,400 (+9.3%)
Kreuzberg	168	7,442 (+5.8%)
Lichterfelde	124	6,210 (+6.5%)
Schöneberg	122	6,700 (-4.0%)
Schmargendorf	120	7,809 (+10.2%)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations



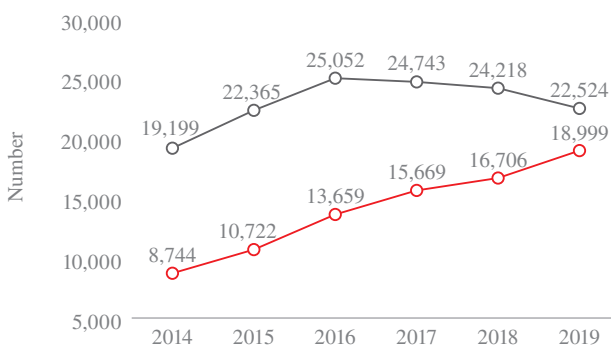
© Engel & Völkers Residential

Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² ■	6,300 – 18,700	6,900 – 19,500	7,500 – 22,000	↗
■	5,400 – 8,500	5,700 – 9,200	6,100 – 9,900	→
■	4,100 – 6,900	4,500 – 7,600	4,900 – 8,200	↗
■	3,700 – 4,700	3,900 – 5,500	4,300 – 5,700	→

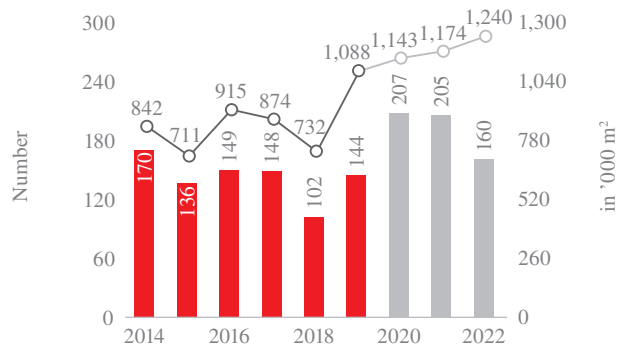
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments
 ○ Approved apartments
 Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects
 ○ Living space
■ Expected/Under construction
 Source: bulwiengesa, Engel & Völkers Residential
 Current as of: 31.05.2020

Interview with a local expert



Hendrik Treff
Engel & Völkers New Developments
Berlin

How is Berlin's market for residential projects currently developing?

Construction activity is key for the Berlin market. The volume of approved and completed apartments is now high and stable, however is still insufficient to satisfy the strong demand for housing. This is intensified by the increased number of forward deals. Despite the introduction of Berlin's rent cap numerous building projects are still being planned since rents for new-build apartments are not affected by the cap. Overall, demand outstrips supply in the market, whereby the most recent resulting rises in prices have not been as marked as in previous years.

What special characteristics does the Berlin market have? How does it differ from other markets?

Berlin's market differs from other 1st-tier cities in a number of ways. Prior to 2010 the market for newly constructed freehold apartments appeared to be completely dormant, while in the period up to 2017 prices lagged behind the other Top cities. Following this there was a 'catch up' effect as many investors turned their attention to Berlin. As a result of the low initial price level the rise in prices was particularly pronounced. These increases were often viewed as unhealthy, however I see them as part of a dynamic catch-up process. In the meantime prices are also high in Berlin although very few other cities have such large discrepancies in purchase prices within individual districts. Low-rent apartments are still available even in prime central locations.

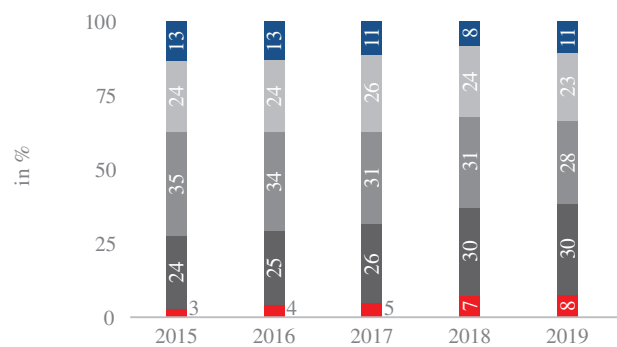
In addition to the city's polycentric structure a contributing fact is that the individual districts are very mixed. Berlin is extremely fragmented, so every property has to be considered in terms of its micro-location. Rapid changes in the market are another peculiarity. Sub-markets can explode, developing from 'scruffy dumps' into established locations at lightning speed. Neukölln's development since 2014 is a good example of this. The rent cap as introduced in Berlin is currently unique in Germany. Present market conditions have, however, primarily

impacted owners of existing apartments and have even led to greater demand for new-build properties.

Which districts are new residential projects currently focusing on? Which districts could become a focus?

The focus is on Pankow and Neukölln in particular, with numerous properties on offer, in turn resulting in a price slowdown. At the moment many newly constructed properties are available or planned in these areas. In the last three to four years Spandau has also become a hot spot, with large-scale waterside developments, as previously the case in Köpenick. Looking forward Tempelhof could also attract attention. Up until now there has been little activity. Good transport connections, both by car and using public trans-

Number of rooms
(New-build apartment offering)

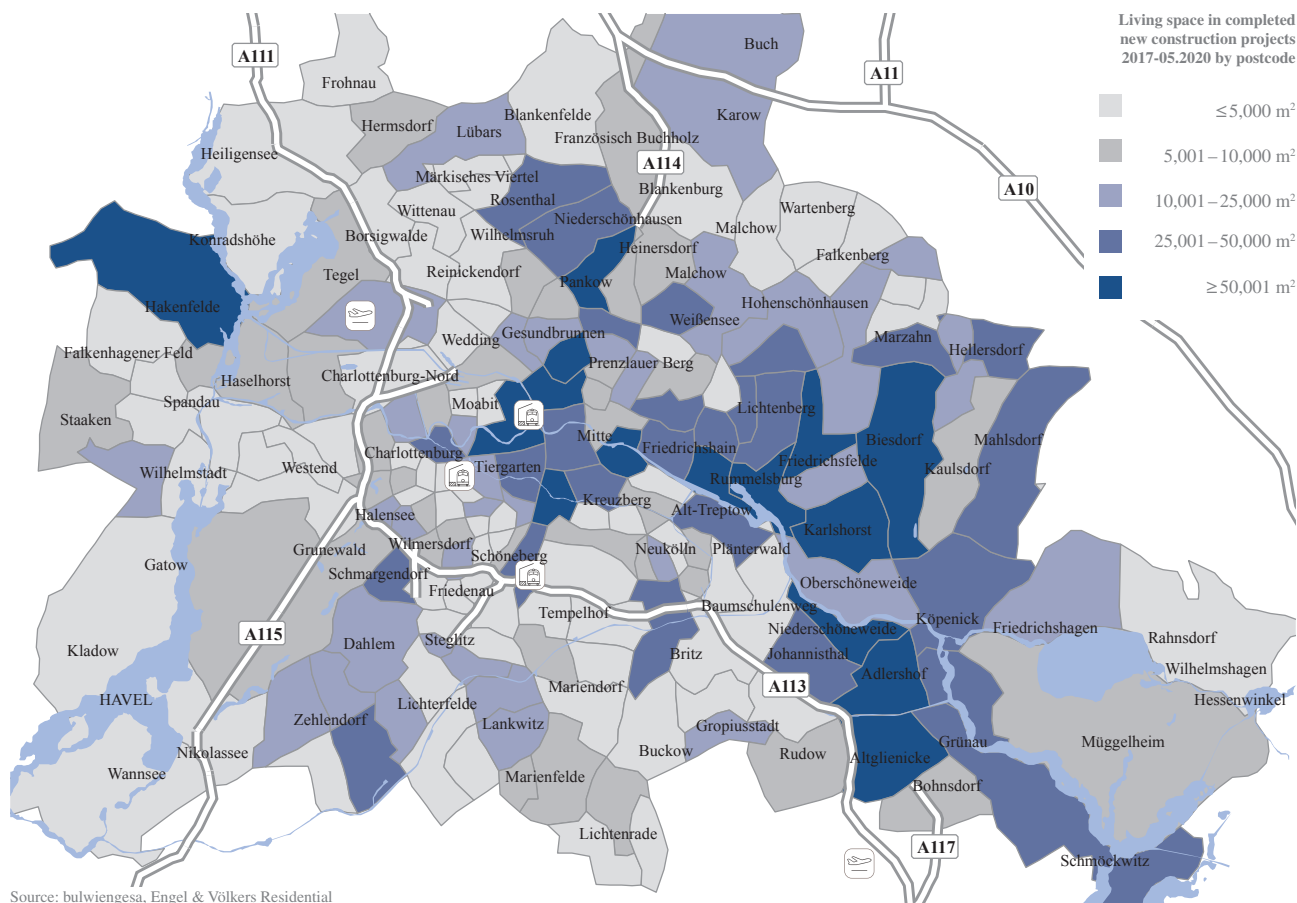


Source: empirica-systeme, Engel & Völkers Residential



Project: VERT | AM TACHELES, Developer: pwr development GmbH

Completed residential projects by living space



port, and the local leisure amenities at Tempelhofer Feld park are all big plus points for the district. Its shopping areas are also undergoing a transformation and the district has old industrial premises which could be exploited. In addition to this Reinickendorf could become a focus of attention thanks to its ‘sandwich location’ between Wedding, which is close to the city centre, and the good locations in Hermsdorf and Waidmannslust. The neighbouring districts are established residential areas and following the airport’s closure it would be possible to link up Reinickendorf with them. Peripheral green locations are also in strong demand. Falkensee is a prime example of the numerous towns which border Berlin and have great transport links.

What are the current trends in new construction projects? Which types of apartment are being built most often?

There is a clear trend to small apartments for singles or students. As the table shows, there has been a marked decline in the number of apartments with three or more rooms – the typical owner-occupier segment. This could, however, change again and, as a result, the low rate of ownership could rise. Owner-occupier locations are cur-

rently the interesting ones. Developers’ plans clearly show that they are focusing on compact, efficient owner-occupied apartments (e.g. smaller 4-room apartments). Sustainability is another important trend, with sustainable building materials and energy-efficient housing in increasing demand. Also, as the number of car users drops, fewer parking spaces are required.

How will the city and the market develop in future? Will Berlin be able to continue its success story in the coming years?

Berlin’s residential market is robust and will be able to continue its success story. All segments have remained stable despite corona, while the overall situation with businesses relocating to the city and an inflow of residents from Germany and abroad clearly demonstrates that demand for new-build housing will remain strong. In this context, Germany’s capital city is not dependent on specific industries or sectors. Digitisation is also playing a major role in this trend, with many companies setting up innovative branches in Berlin. Dynamism and flexibility will become increasingly important factors which positively influence the residential market.

COLOGNE



1,085,765

Population
+3.9% (over 2014)



25,684 euros

Per capita purchasing power
105.9 (purchasing power index)



0.9%

Vacancy rate
32.4 (vacancy rate index)



26.5%

Home ownership rate
60.6 (index)

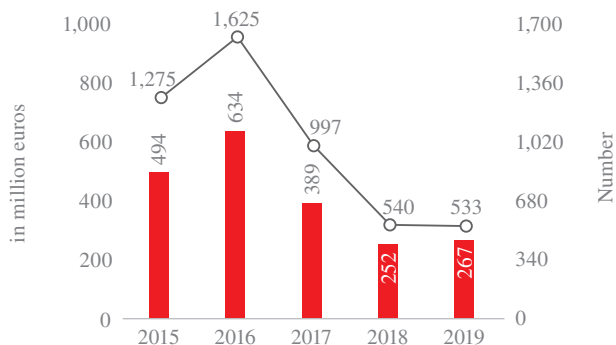


13.05 euros/m²

Rents quoted for new-builds
+0.9% (over 1st half of 2019)

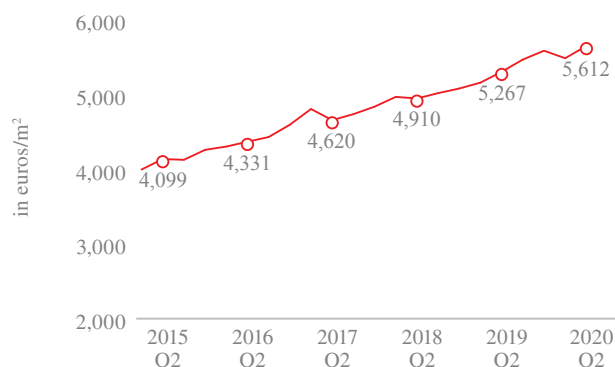
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



■ Transaction volumes ○ Number of transactions
Source: Cologne Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



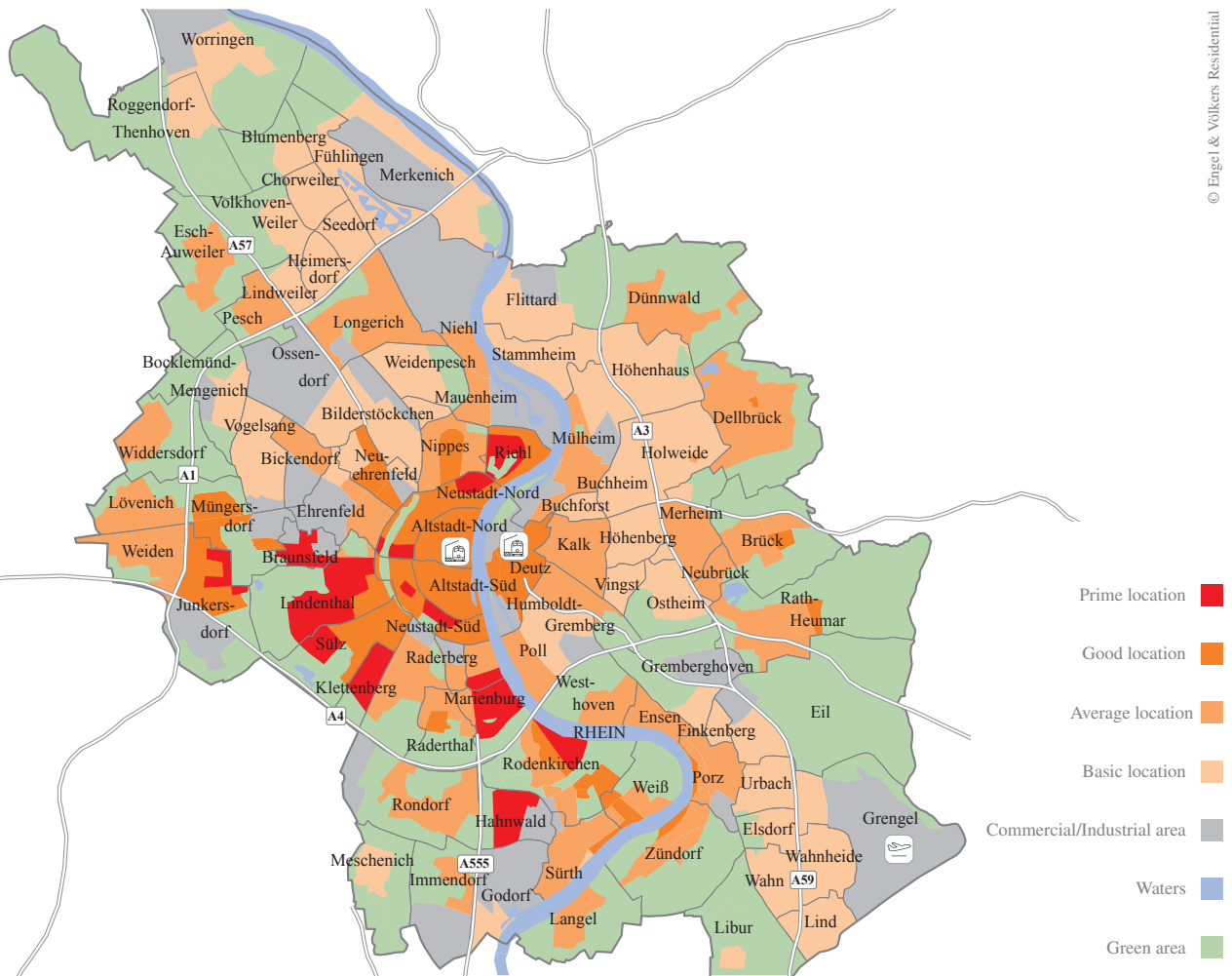
○ Price quoted (new-build)
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Lindenthal	114	5,894 (+1.1%)
Ehrenfeld	93	5,209 (+12.6%)
Nippes	74	4,894 (+2.4%)
Downtown	63	6,346 (+13.1%)
Rodenkirchen	61	5,455 (+2.2%)
Kalk	43	4,572 (+13.0%)
Porz	29	3,977 (+7.0%)
Mülheim	28	4,815 (+13.3%)
Chorweiler	15	3,402 (+4.0%)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations

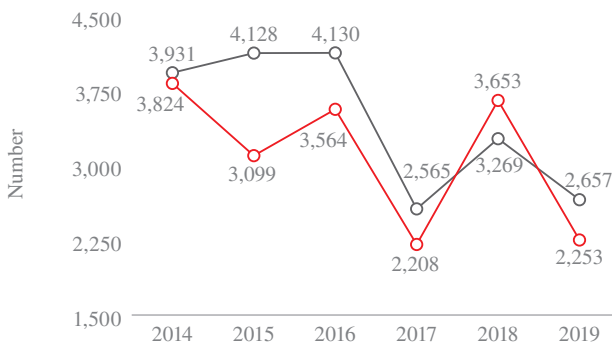


Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² ■	5,100 – 6,650	6,050 – 7,500	6,750 – 8,500	↗
■	4,450 – 5,350	5,100 – 5,850	5,550 – 6,600	↗
■	3,700 – 4,500	4,100 – 4,950	4,750 – 5,750	→
■	3,350 – 3,800	3,450 – 4,250	3,800 – 4,600	→

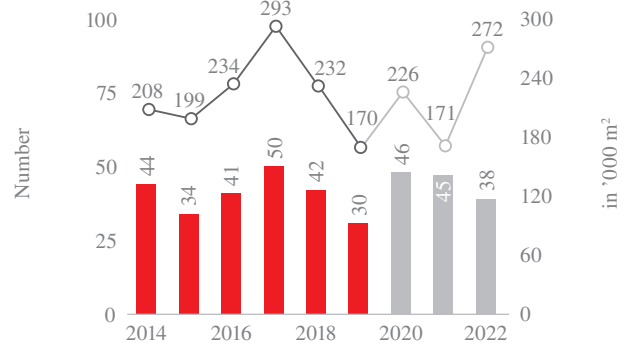
Source: Engel & Völkers Residential

Construction activity



Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



Source: bulwiengesa, Engel & Völkers Residential

Current as of: 31.05.2020

Interview with a local expert

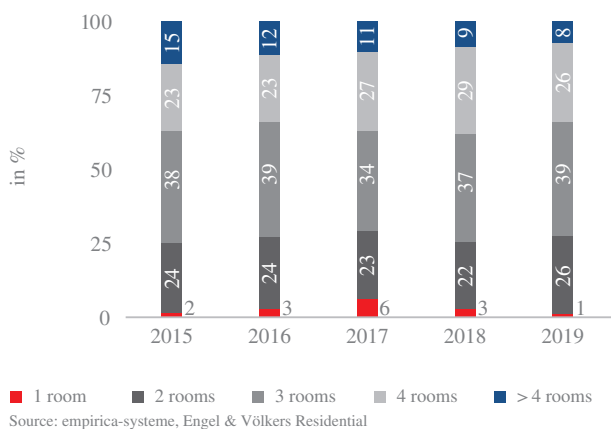


Linda Ostendorf
Engel & Völkers New Developments
Cologne

How is Cologne's market for residential projects currently developing?

Building plots are scarce in Cologne and this restricts the market. A number of small and medium-size projects including between four and ten residential units are currently underway in the city centre, where vacant sites and possibilities to add extra storeys mean that new projects are always being developed. Larger urban development projects are taking place outside the city centre on both the left and right banks of the Rhine.

Number of rooms
(New-build apartment offering)



What special characteristics does the Cologne market have? How does it differ from other markets?

A number of large urban development projects are currently at the planning stage in Cologne. They include the port area in Deutz; the Waldviertel district in Rodenkirchen and the Rondorf Northwest, Parkstadt South, Kreuzfeld and Roggendorf/Thenhoven districts. New residential districts with housing for between 1,000 and 3,000 people are being created in these locations. In addition to this, new infrastructure such as schools, childcare centres, roads and public transport links is also being developed.

Which districts are new residential projects currently focusing on? Which districts could become a focus?

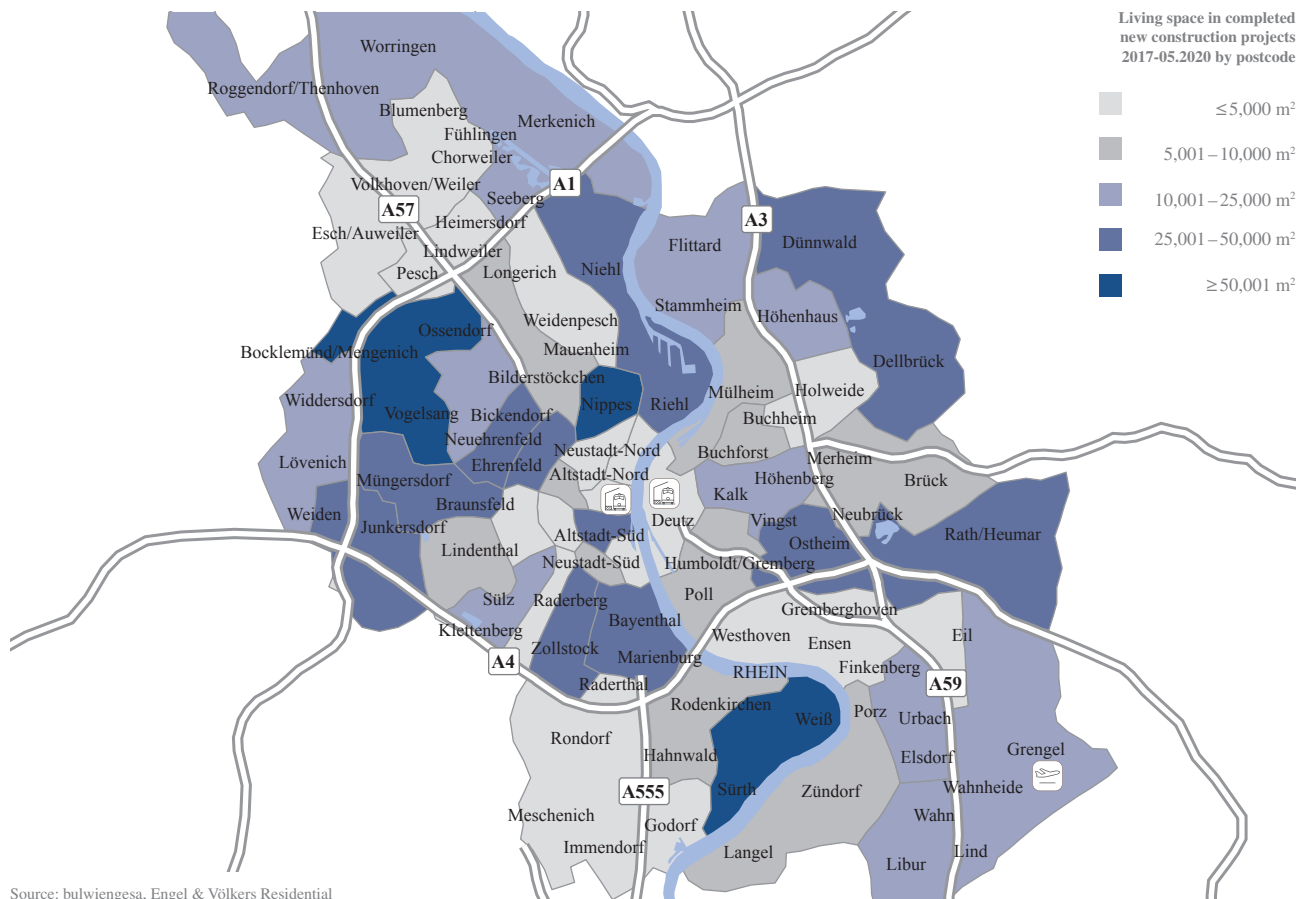
Current projects are focusing on the districts on the right bank of the Rhine (known as Schäl Sick), particularly on Deutz and Mülheim as well as Porz. Kalk also offers a number of development opportunities thanks to the availability of building plots, while Ehrenfeld has numerous old commercial premises which are being revitalised, such as the old railway freight yard or the former Max Becker Recycling site. In Rodenkirchen the focus is on the Ringviertel and Waldviertel districts.

What are the current trends in new construction projects? Which types of apartment are being built most often?

Mixed-use districts which combine living, leisure and work are a big trend at the moment. Mobility concepts are also becoming more common. Fast charging stations for



Completed residential projects by living space



e-mobility can, for example be installed on request, however are not yet viewed as standard amenities. The city council is primarily focusing on family-friendly projects. Over and above this, an increasing number of furnished micro-apartments are being built as are high-price apartments with luxury fixtures and finishes.

How will the city and the market develop in future?

The potential for growth in Cologne is higher than in other German metropolises. The market is stable. International investors and prestige purchasers currently play no major role in the market and there is potential for expansion in this regard. Many purchasers are local to the region, so international economic fluctuation has little impact. All of these factors have contributed to the long-term sustainable growth of Cologne's property market.

What opportunities does Cologne's new-build property market offer?

In comparison to other major cities prices for new-build properties are moderate. Purchase prices for building plots are thus also comparatively lower despite excess demand, resulting in a stable market situation with little volatility.



DÜSSELDORF



642,304

Population
+4.7% (over 2014)



28,528 euros

Per capita purchasing power
117.7 (purchasing power index)



1.4%

Vacancy rate
49.4 (vacancy rate index)



23.2%

Home ownership rate
52.9 (index)

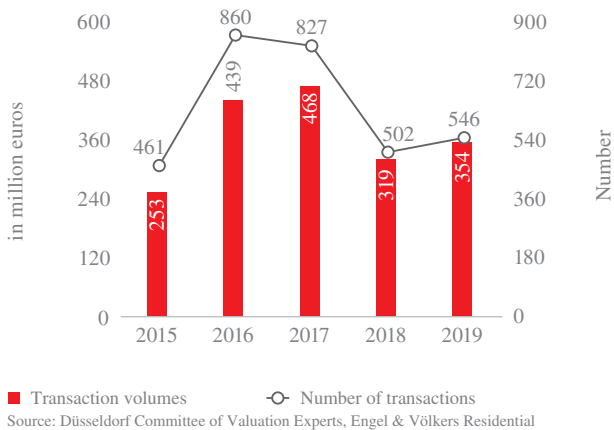


13.97 euros/m²

Rents quoted for new-builds
+3.0% (over 1st half of 2019)

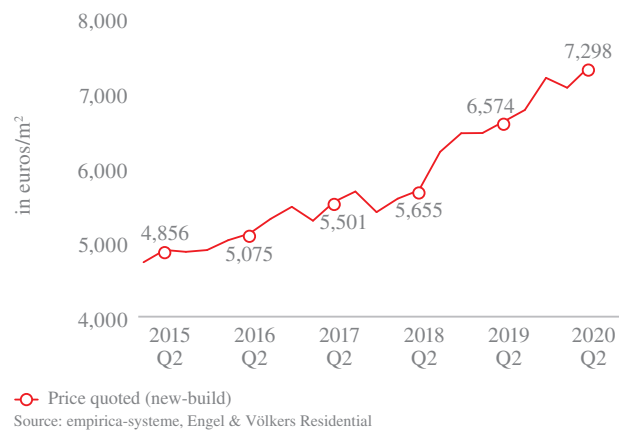
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



■ Transaction volumes ○ Number of transactions
Source: Düsseldorf Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



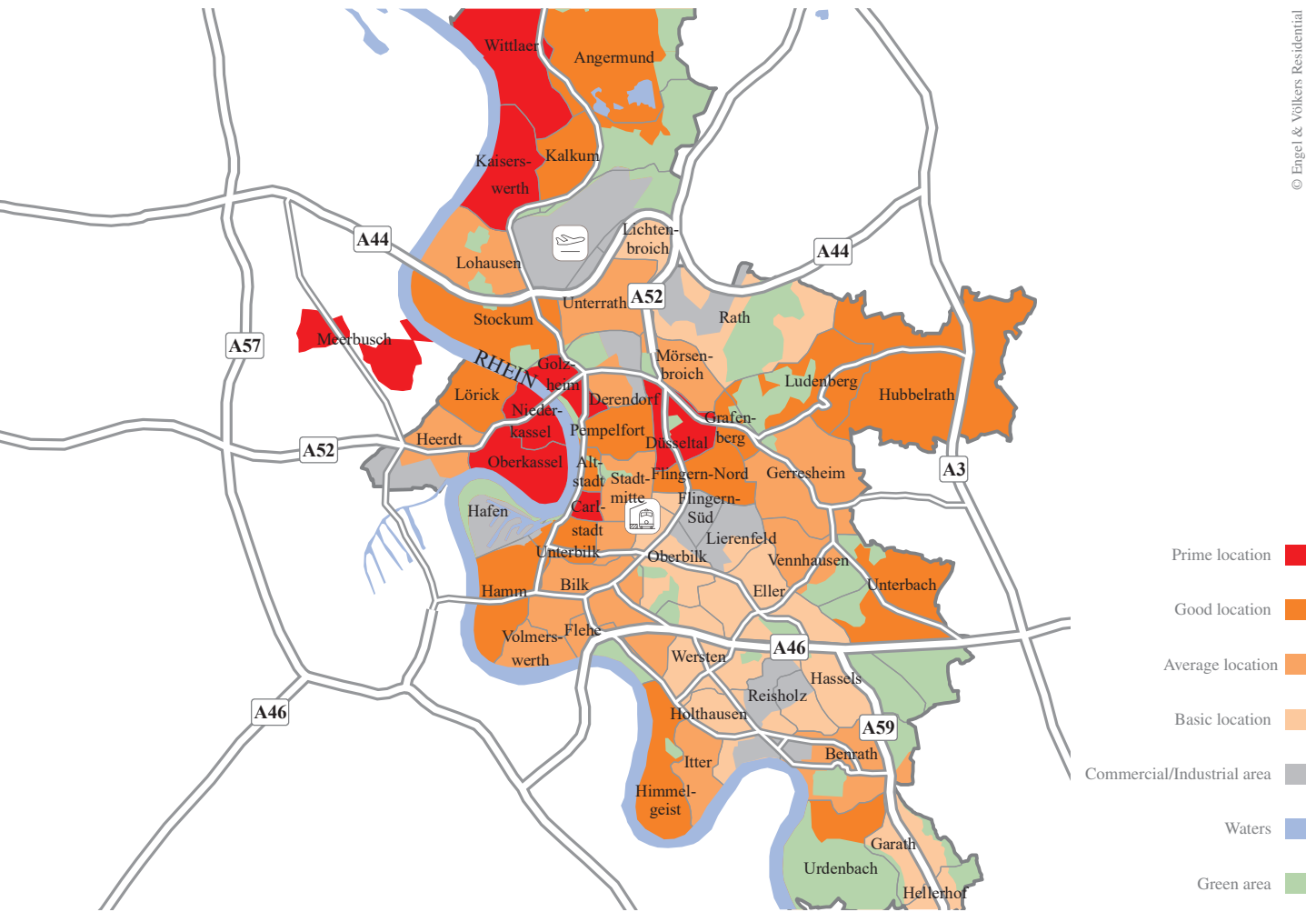
○ Price quoted (new-build)
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Flingern Nord	74	5,542 (+11.7%)
Düsseltal	41	7,734 (+16.7%)
Oberkassel	40	8,605 (+22.9%)
Benrath	22	6,211 (+42.3%)
Bilk	21	6,161 (+53.1%)
Friedrichstadt	21	7,839 (+11.1%)
Pempelfort	20	6,880 (+4.7%)
Wersten	15	4,723 (N/A)
Heerdt	14	6,025 (+9.7%)
Mörsenbroich	14	5,168 (N/A)
Rath	11	4,708 (N/A)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations

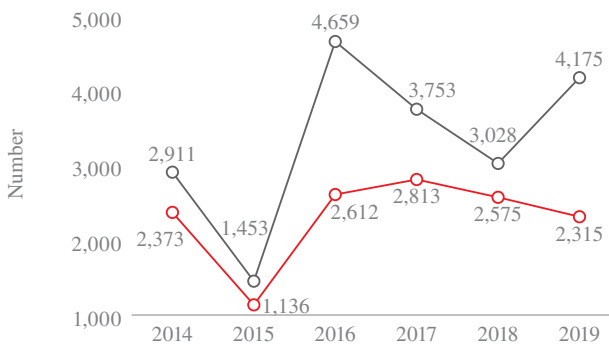


Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² (Prime location)	8,000 – 14,000	9,000 – 14,500	9,500 – 15,000	→
(Good location)	6,500 – 8,500	7,000 – 9,000	7,500 – 9,500	→
(Average location)	3,500 – 7,000	4,300 – 7,500	5,000 – 8,000	→
(Basic location)	2,500 – 4,000	2,800 – 4,500	3,000 – 4,000	→

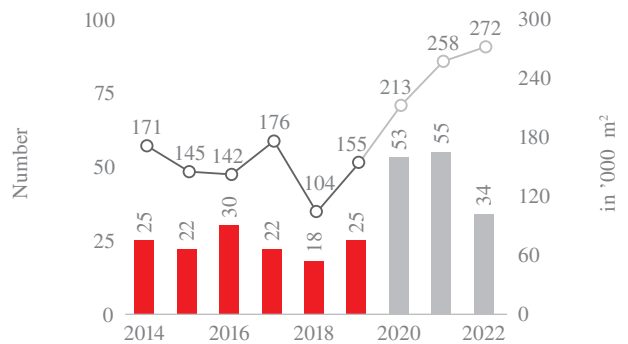
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments ○ Approved apartments
Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects ○ Living space
■/○ Expected/Under construction
Source: bulwiengesa, Engel & Völkers Residential

Current as of: 31.05.2020

Interview with a local expert



Birgit Pfeiffer
Engel & Völkers New Developments
Düsseldorf

How is Düsseldorf’s market for residential projects currently developing?

North Rhine-Westphalia’s capital is one of Germany’s most popular places to live. Demand, particularly in the medium and low price segment, is strong and sustained. Following the easing of the restrictions implemented during the corona pandemic the market in NRW has continued to develop very positively. Interest in many newly constructed properties is high, however potential purchasers expect price discounts. These expectations are the result of lenders’ restrictive policies. In addition to this, potential purchasers are unwilling to recognise the enormous increases in construction costs and purchase prices for building plots which project developers and building companies have experienced in recent years and are reluctant to accept that large discounts are not possible.

What special characteristics does the Düsseldorf market have? How does it differ from other markets?

Düsseldorf is ‘manageable’ in terms of size. Most of its districts have developed positively in terms of quality of life and housing stock. Vacant plots are, however, extremely scarce and existing properties must be demol-

ished before new projects can be realised. As a result the construction of social housing is often not possible, while submarkets with stylish, usually premium, newly constructed properties are correspondingly more attractive. Parallel to this, there is a growing trend for the conversion of existing spaces, for example the repurposing of primarily industrial areas into residential ones by demolishing factories and upgrading the vacant plots this creates by building modern apartments.

Which districts are new residential projects currently focusing on? Which districts could become a focus?

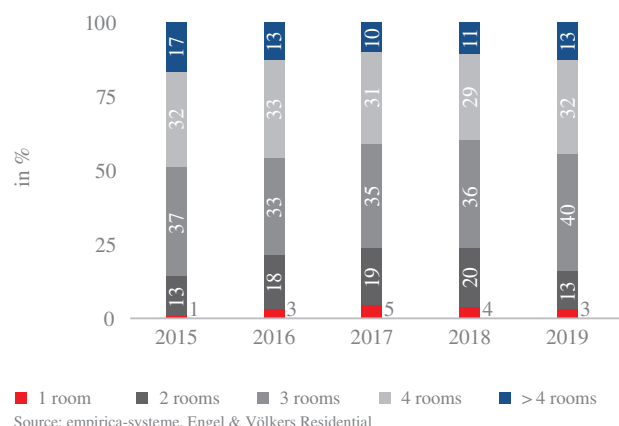
There continues to be a strong demand for locations in direct proximity to the Rhine, for example in Oberkassel, Pempelfort and Golzheim. Overall developers are currently focusing on many areas in Düsseldorf. In recent years, a large volume of new housing has been constructed in Heerd and Flingern in particular. Peripheral locations are popular at present since prices for building land are lower. Purchase prices for property can also be lower in these areas. Going forward the focus could again shift to other districts since there is a demand for housing throughout the city.

What are the current trends in new construction projects? Which types of apartment are being built most often?

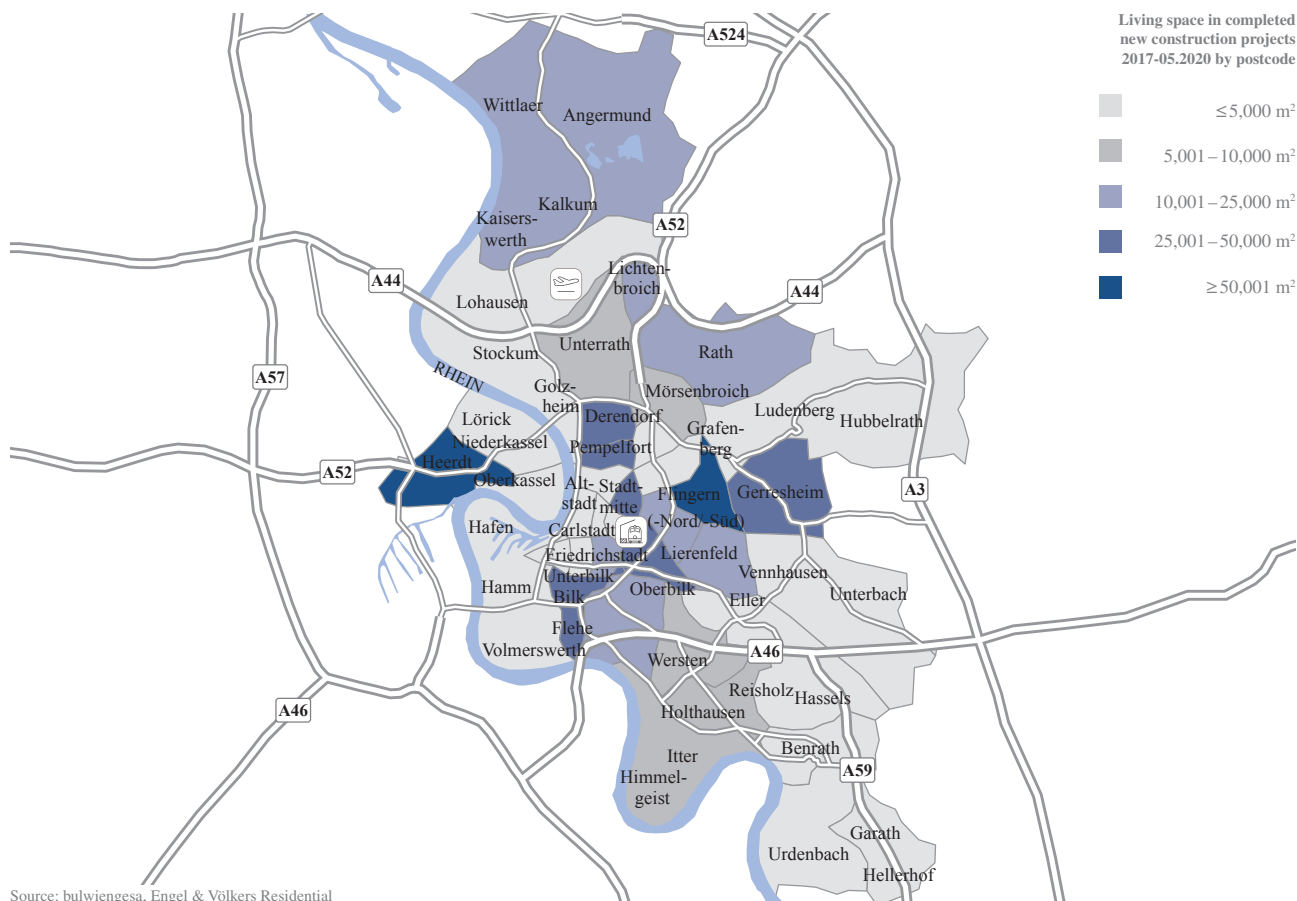
There is a continuing trend for new-builds with bespoke architecture, while large single-level apartments are also



Number of rooms
(New-build apartment offering)



Completed residential projects by living space



in demand. Underground parking garage spaces and lifts are both a must. Overall, classic layouts with good room proportions are always in high demand. Another trend is for living in high-rise buildings on the banks of the Rhine. New vertical living projects are catering for buyers seeking an individualised but urban lifestyle instead of uniformity. The economical use of limited resources is also a hot topic, as demonstrated by the construction of solar housing developments and passive houses.

How will the city and the market develop in future?

Demand for high-quality housing in this lifestyle and fashion city continues to be strong, with prices for new-build freehold apartments the highest in North Rhine-Westphalia and on a par with Hamburg or Stuttgart. The highest square metre price achieved for a new-build freehold apartment in 2019 was 18,700 euros. At present properties in good locations which can hold their value and have the potential for appreciation are attracting the most attention. Owning your own property equates to

having a home, in other words a safe harbour, even in turbulent times. Simultaneously it is also an investment for the future which could even appreciate in value. Overall we expect very positive development. It can be assumed that prices in prime locations will continue to rise while they remain stable in good locations. Average and basic locations may experience slight decreases due to the impact of the corona pandemic.

The state plans to end the financial support it has given during corona. How is the market reacting to this?

I believe that the market will develop positively after the pandemic and that prices in prime locations and possibly also in good locations could continue to rise. Should there be a second wave of infections and financial support from the state be exhausted, then prices may, however, fall. Current circumstances make it impossible to reliably forecast possible market development in this regard.

FRANKFURT



758,574

Population
+7.1% (over 2014)



27,055 euros

Per capita purchasing power
111.6 (purchasing power index)



0.3%

Vacancy rate
11.8 (vacancy rate index)



19.4%

Home ownership rate
44.2 (index)

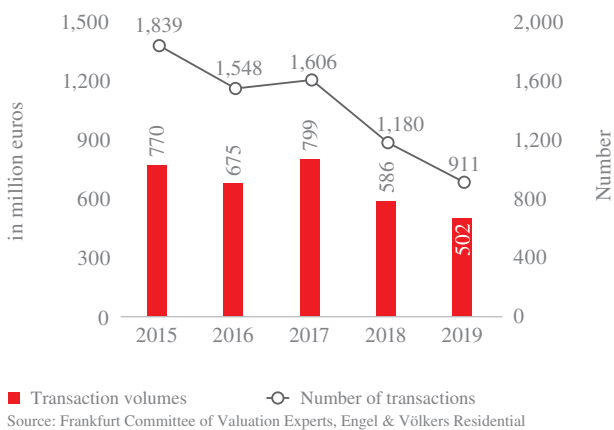


16.52 euros/m²

Rents quoted for new-builds
+1.2% (over 1st half of 2019)

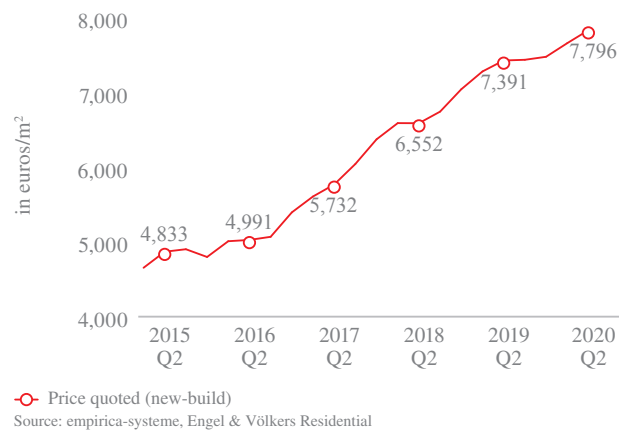
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



Source: Frankfurt Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



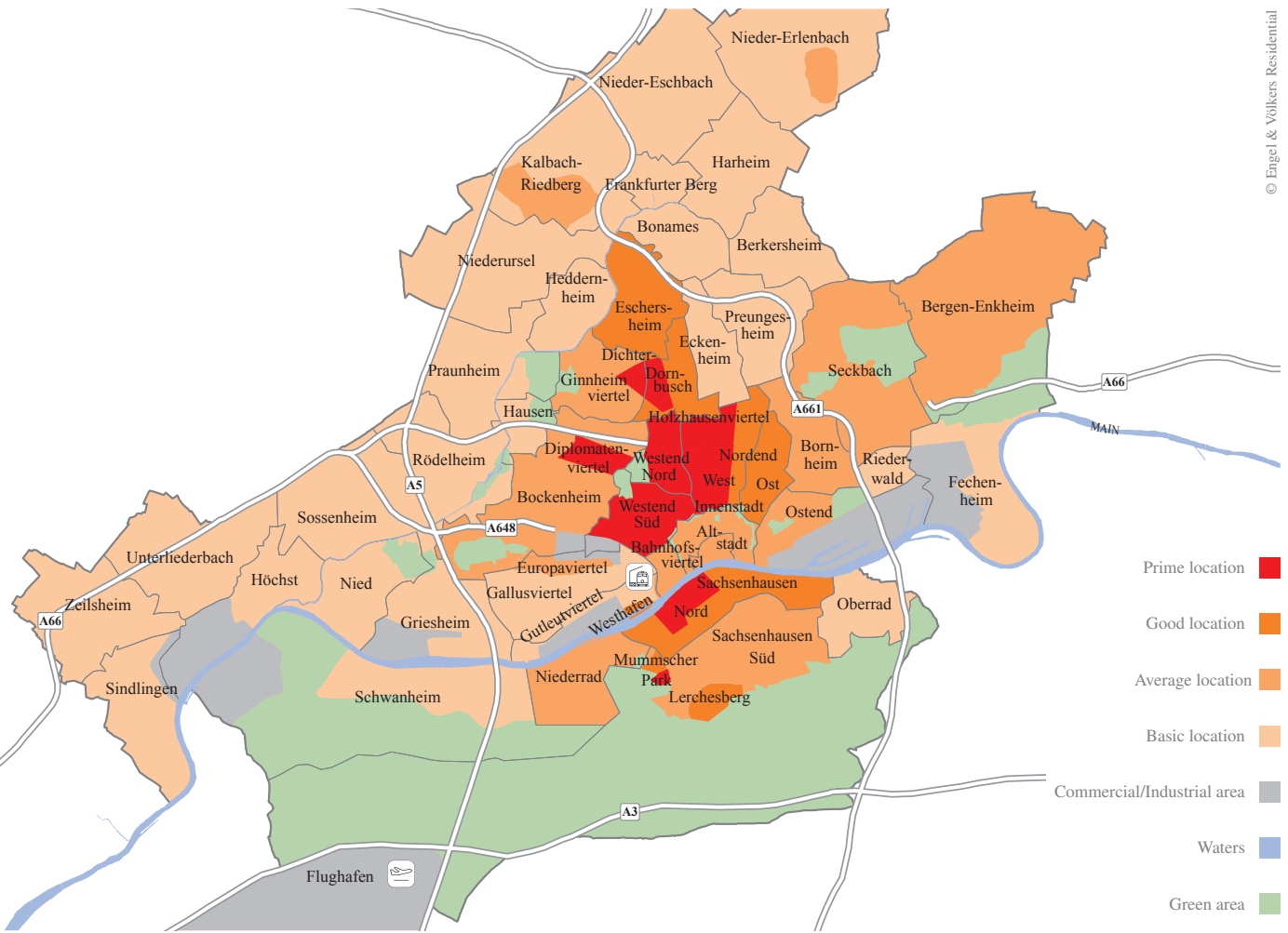
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Gallus	230	8,118 (+2.6%)
Ostend	99	8,060 (+4.8%)
Kalbach-Riedberg	94	6,748 (+22.8%)
Niederrad	73	5,852 (+2.5%)
Bockenheim	66	7,700 (+24.8%)
Nordend-West	62	9,394 (+0.2%)
Seckbach	45	6,504 (+14.5%)
Rödelheim	31	6,336 (+7.3%)
Sachsenhausen-Nord	29	7,032 (+6.1%)
Westend-Süd	28	11,067 (+17.9%)
Bergen-Enkheim	24	6,175 (+6.6%)
Höchst	22	5,324 (-10.0%)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations



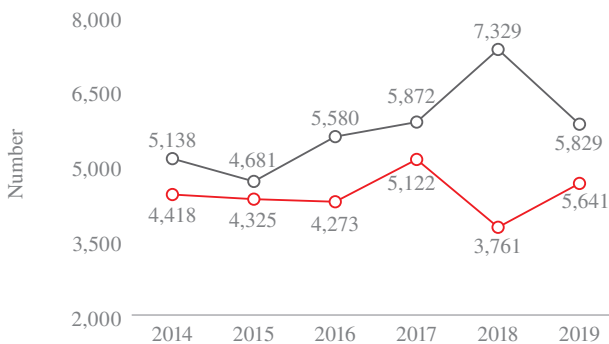
© Engel & Völkers Residential

Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² (Prime location)	9,500 – 15,000	10,000 – 16,000	10,600 – 16,500	→
(Good location)	7,500 – 10,000	7,900 – 10,500	8,200 – 11,200	→
(Average location)	5,500 – 7,800	5,800 – 8,000	5,900 – 8,300	→
(Basic location)	4,000 – 6,200	4,200 – 6,500	4,300 – 6,700	→

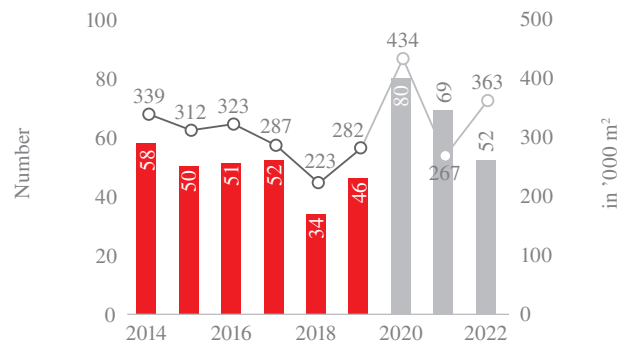
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments ○ Approved apartments
Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects ○ Living space
■/○ Expected/Under construction
Source: bulwiengesa, Engel & Völkers Residential

Current as of: 31.05.2020

Interview with a local expert



David Schmitt
Engel & Völkers New Developments
Frankfurt

How is Frankfurt's market for residential projects currently developing?

Construction activity in Frankfurt is still ongoing, with a large offering in the premium sector currently available and in the vertical living segment in particular. Demand is strong in the medium-price segment, whereby supply is insufficient to meet it. Plots and properties which can be developed are scarce, as are opportunities for densification. In Frankfurt there is a trend for construction projects to move away from large apartments and instead focus on medium-size to small residential units. The inflow of foreign residents is also generating additional demand, in turn increasing expectations regarding quality and comfort, also for small apartments. Developers often respond

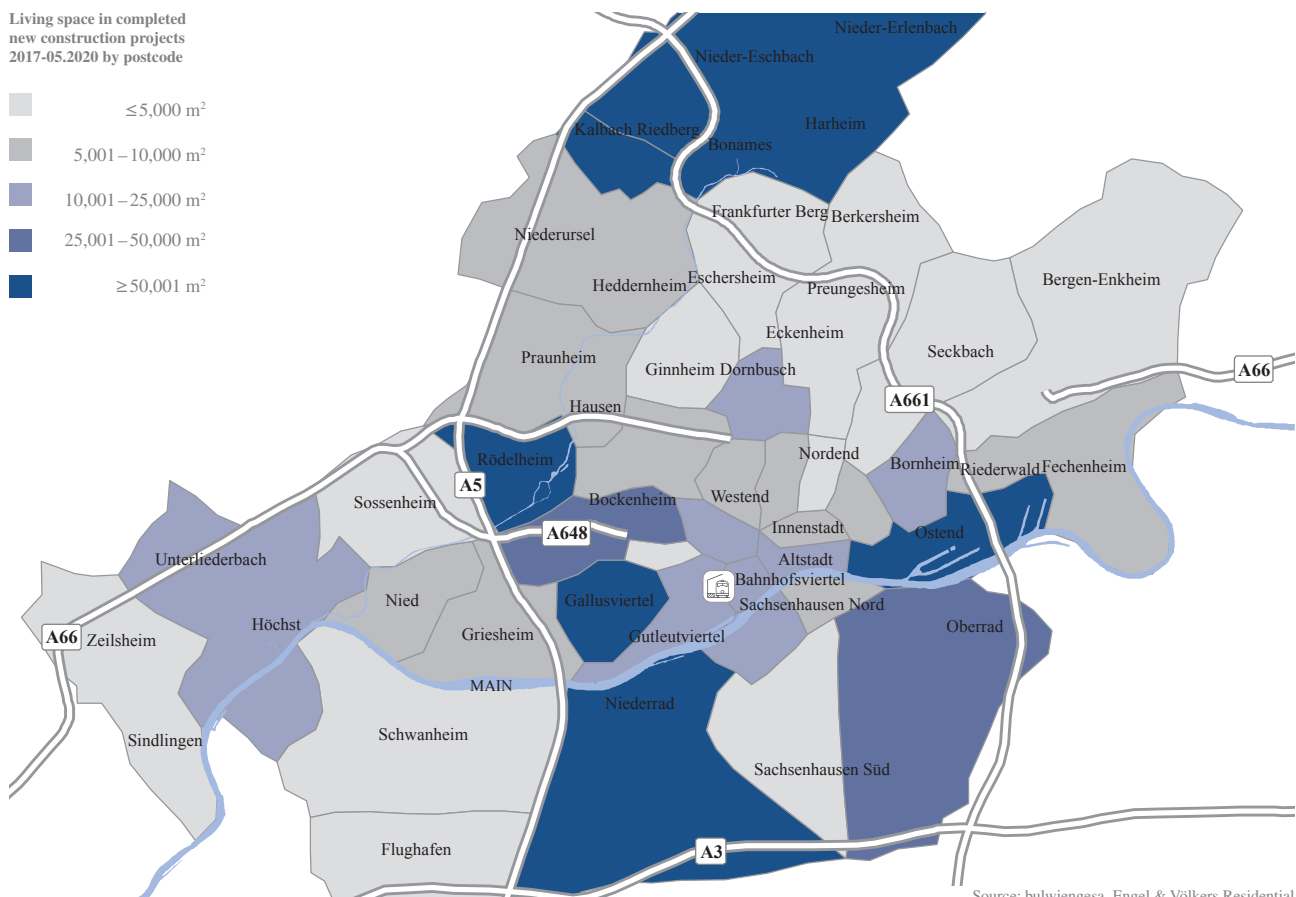
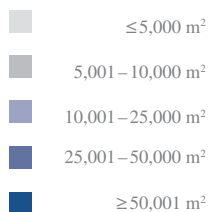
to this demand by building micro-apartments.

What special characteristics does the Frankfurt market have? How does it differ from other markets?

There has been a significant rise in the number of households in Frankfurt due to more single-person households and commuter apartments, while increasing property prices are forcing middle class families out of central locations to the periphery. People who want to live in central Frankfurt are choosing apartments which are smaller but still offer comfort and have generous room sizes. In addition to this, the city is very international, which influences product development factors such as layouts (open concept), fixtures and finishes (premium communal areas) and the range of services on offer. A lack of building plots and properties which are suitable for development in Frankfurt is driving the vertical living concept. The High-Rise Buildings Framework Plan permits construction of such buildings in 16 locations. Since purely residential

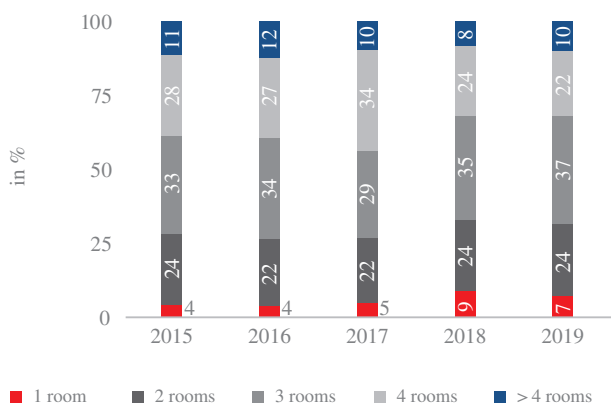
Completed residential projects by living space

Living space in completed new construction projects 2017-05.2020 by postcode



Source: bulwiengesa, Engel & Völkers Residential

Number of rooms (New-build apartment offering)



Source: empirica-systeme, Engel & Völkers Residential

high-rise buildings can no longer be taken into consideration when making accounting adjustments there is a new trend for hybrid use and the combination of offices, residential units and, in some cases, also hotels.

Which districts are new residential projects focusing on? Which districts could become a focus?

The largest construction projects are currently the Hafenspark Quartier development in the Ostend district and the FOUR Frankfurt development in the city centre. The latter includes plans to create new housing for 1,000 residents in 650 apartments by 2022. This residential development of the area is contributing to the banking quarter's transformation into a mixed-use area. The prevailing housing shortage and consequent price development are also causing construction companies to turn their attention to peripheral areas such as Rödelheim, Griesheim and Nied, with a focus on projects aimed at middle-class families.

What are the current trends in new construction projects? Which types of apartment are being built most often?

In good locations developers are continuing to focus on the premium segment, planning a mix of 2- and 3-room apartments. Any large apartments created within the scope of new construction projects are primarily penthouses, however not usually included in current plans and development projects since there is presently a surplus of property offerings priced in excess of 2 m. euros. Purchase price strategy is thus becoming increasingly important – it must be as easy as possible for target groups to finance purchase prices. The biggest trend in Frankfurt is, however, without a doubt the 'vertical living' concept already mentioned. Purchasers who choose



Project: ONE FORTY WEST, Source: Commerz Real AG

this concept are making a conscious decision to buy smaller apartments which is, however, offset by the extra comfort of additional amenities such a concierge and services which are similar to those offered by hotels. Over and above this, high-quality communal areas such as roof gardens, wine cellars, gyms, etc. expand the living space available to residents, while guests can be accommodated in neighbouring hotels. The ONE FORTY WEST is an excellent example of this concept.

What makes the ONE FORTY WEST so special?

The ONE FORTY WEST is a 140-metre high building offering a comprehensive lifestyle concept which is unique in Germany. It includes exclusive apartments with a 24/7 concierge service; a wine cellar; restaurants; a sky bar and a dog washing area. The amenities are on a par with a 4-star plus hotel. This innovative urban development project is located in the area between Bockenheim and Westend, offers unique panoramic views across the city. In total there will be 187 premium apartments with balconies/sky lounges located on the 24th to the 40th floors. Everyone lives at the top – a unique residential concept!

How will the city and the market develop in future?

The number of small and medium-size residential units in good and prime locations will increase, while in average and basic locations new apartments will have 3 rooms and be aimed at families. Frankfurt is expected to pass the 800,000 inhabitant mark by 2030. Demand for housing will thus remain at a sustained high level. Despite the construction boom and rising prices it is unlikely that the pressure on residential property will relax and basic locations will also be in higher demand. The motivation of potential purchasers is shifting towards maintaining and adding value.

HAMBURG



1,899,160

Population
+5.3% (over 2014)



25,695 euros

Per capita purchasing power
106.0 (purchasing power index)



0.5%

Vacancy rate
17.4 (vacancy rate index)



23.4%

Home ownership rate
53.4 (index)

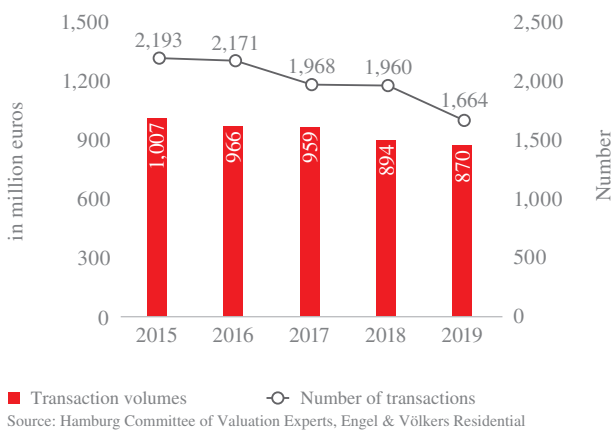


14.86 euros/m²

Rents quoted for new-builds
+0.2% (over 1st half of 2019)

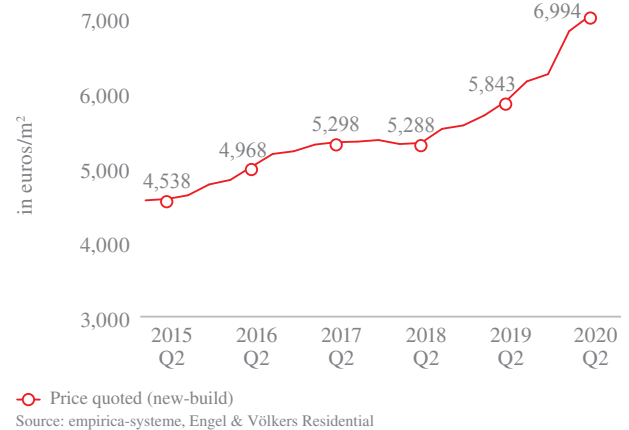
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



Source: Hamburg Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



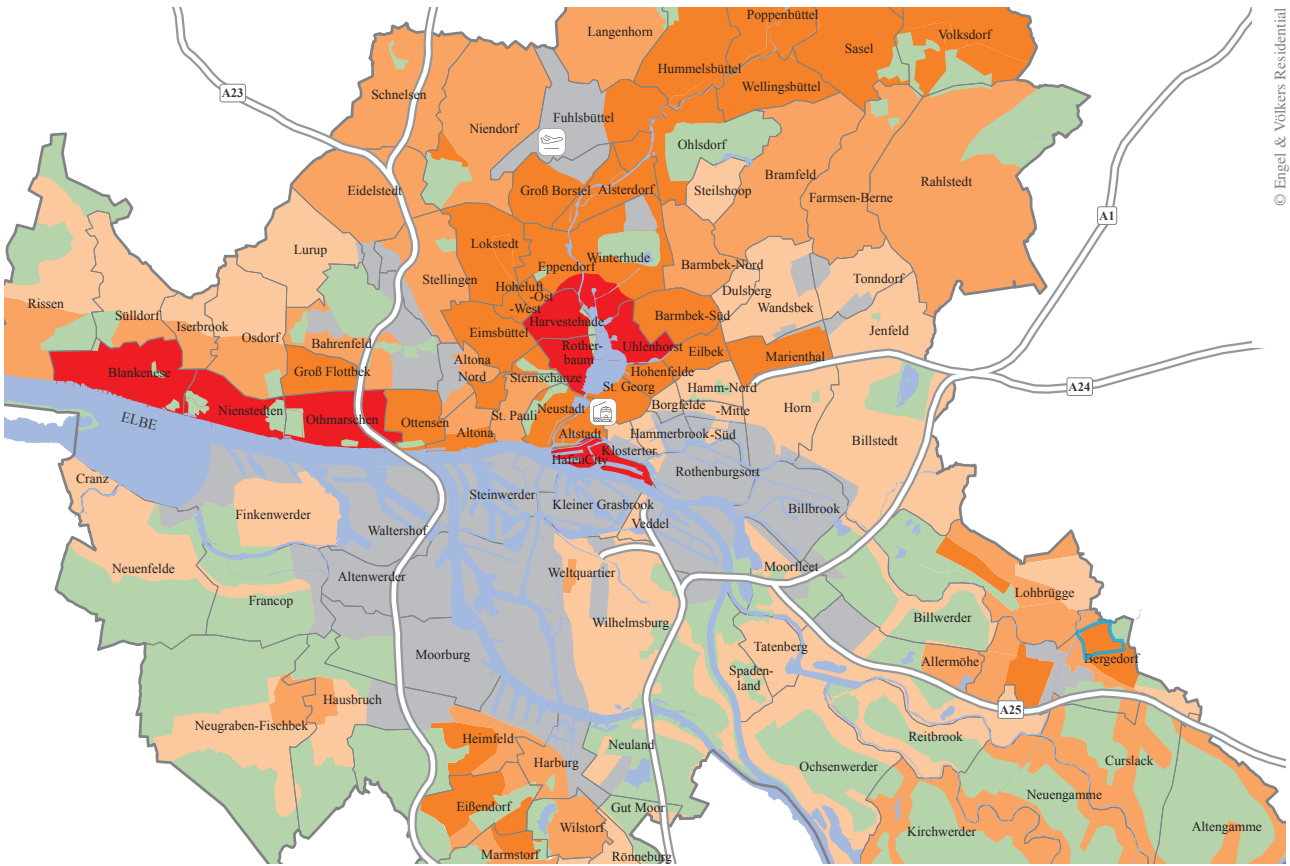
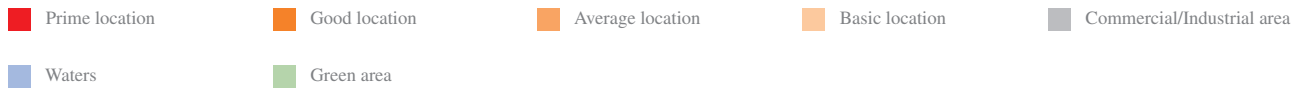
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Rahlstedt	192	4,528 (+4.4%)
Eidelstedt	105	4,543 (+4.0%)
Bahrenfeld	81	6,022 (+8.1%)
Lohbrügge	76	4,320 (+6.0%)
Othmarschen	74	8,789 (+18.3%)
Eilbek	72	6,407 (+11.8%)
Rissen	67	5,641 (+6.4%)
Schnelsen	61	4,623 (+4.3%)
Barmbek-Süd	57	6,575 (+8.8%)
Sasel	56	5,427 (+9.4%)
Wellingsbüttel	52	6,484 (+4.4%)
Niendorf	49	5,514 (+11.3%)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations



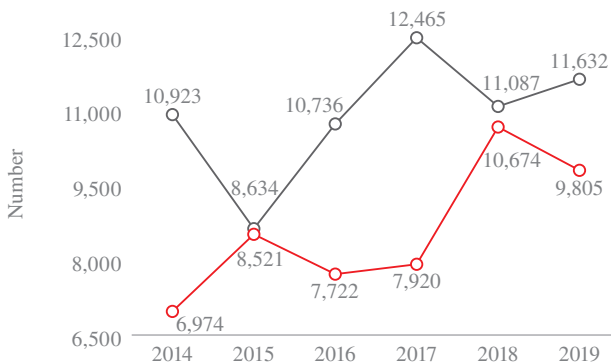
© Engel & Völkers Residential

Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² ■	10,000 – 20,000	12,000 – 22,000	13,000 – 23,000	↗
■	7,500 – 10,000	9,000 – 12,000	10,000 – 13,000	↗
■	5,000 – 7,500	6,000 – 9,000	7,000 – 10,000	↗
■	3,500 – 5,000	4,000 – 6,000	4,500 – 7,000	↗

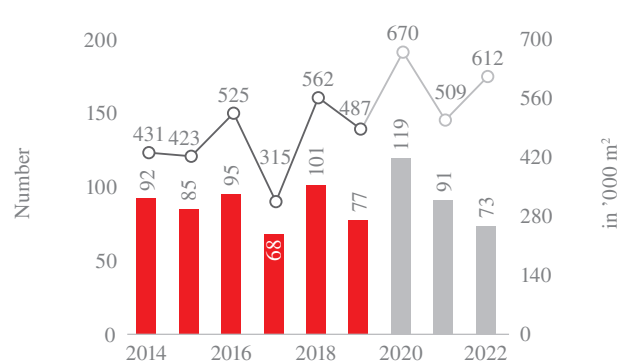
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments
 ○ Approved apartments
 Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects
 ○ Living space
■ Expected/Under construction
 Source: bulwiengesa, Engel & Völkers Residential
 Current as of: 31.05.2020

Interview with a local expert



Philip Bonhoeffer
Engel & Völkers New Developments
Hamburg

How is Hamburg’s market for residential projects currently developing?

The new-build property market in Hamburg remains dynamic. Assuming that the framework conditions for purchasers and project developers stay the same, then prices for new-build freehold apartments will continue to rise in 2020. The lack of building land however means that there will demand for new-build residential properties will continue to outstrip supply.

What special characteristics does the Hamburg market have? How does it differ from other markets?

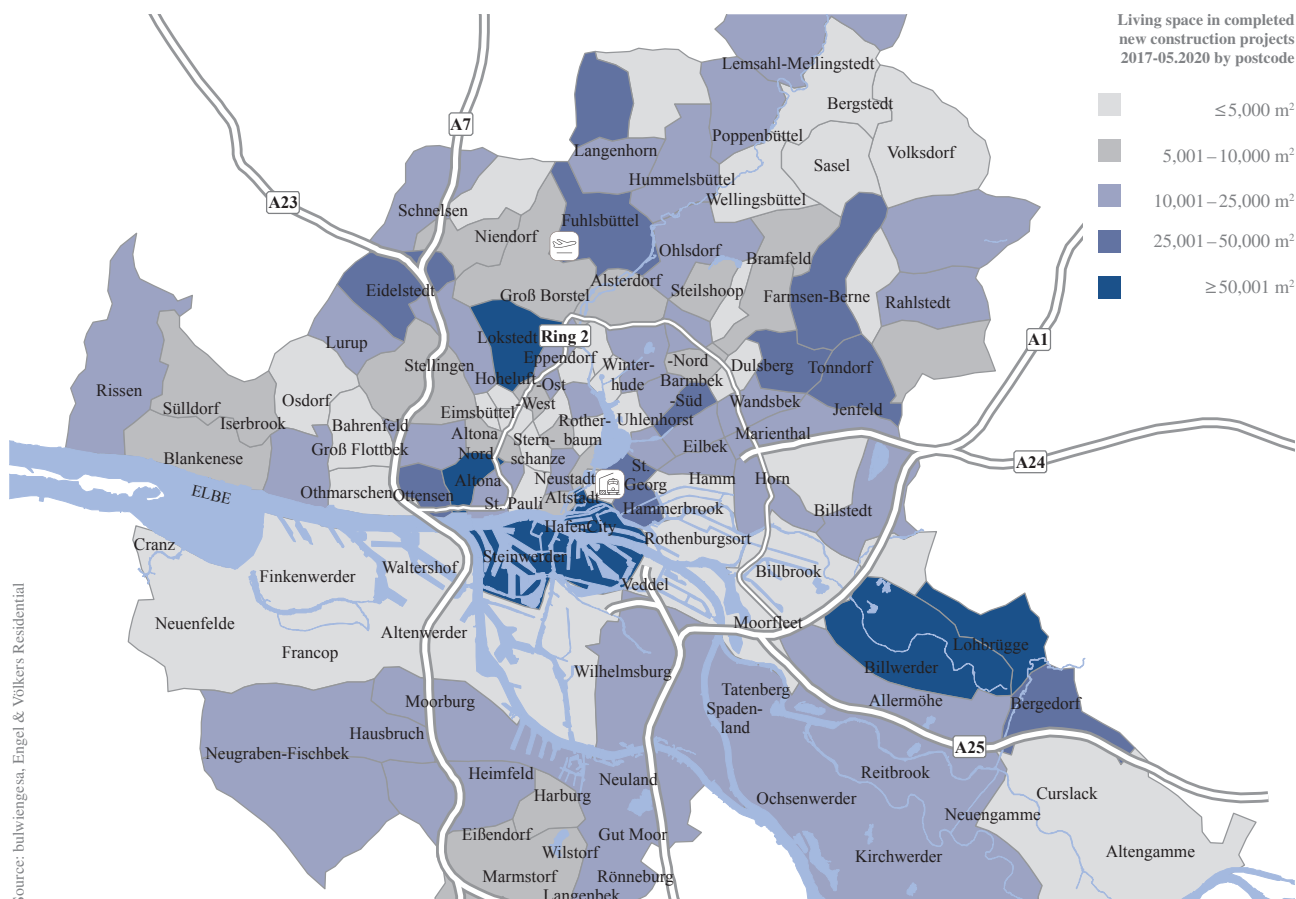
Not least thanks to its port Hamburg is an important

business centre and so will remain an inflow area in the coming years. In addition to this, the housing market will continue to be influenced by urbanisation and demographic developments. Forecasts indicate that not only will Hamburg’s total population increase, but also the number of elderly residents. One of the consequences of this will be stronger demand for apartments, linked in particular to the declining size of households.

Which districts are new residential projects currently focusing on? Which districts could become a focus?

Along the Elbe river the focus is on developing the Baakenhafen und Elbtor areas of the eastern HafenCity district and the Elbtower project in the Elbtor district as well as the Kleiner Grasbrook district on the other bank. Another current topic is the further development and expansion of the City Nord district, while the Hamm, Hammerbrook, Harburg and Wilhelmsburg

Completed residential projects by living space





Project: Strandhaus by Richard Meier, Source: bloomimages

districts also remain interesting residential markets with great potential.

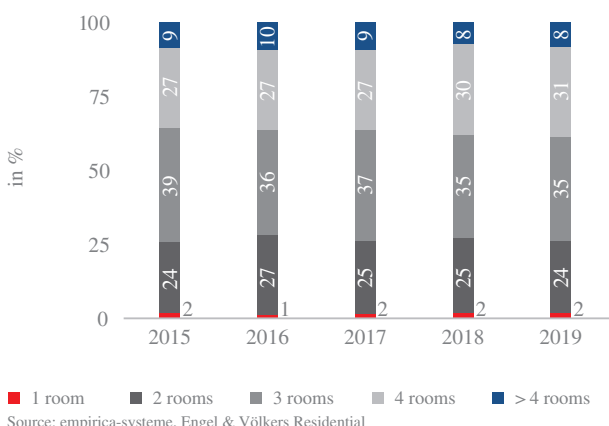
What are the current trends in new construction projects? Which types of apartment are being built most often?

The question should be ‘What is in highest demand?’ Construction projects don’t always deliver what is popular and on trend. Demand is strong for apartments which have a large number of rooms but the smallest possible footprint. High ceilings and light, airy rooms, for example with floor-to-ceiling windows, are also very popular. Apartments with large balconies are another common item on purchasers’ wish lists. As a general rule, attractive architecture generates higher sale prices than standard new-build designs in the same location.

How will the city and the market develop in future?

Hamburg will continue to be an important business centre and inflow area in future. Demand for housing will continue to rise, with increasing numbers of people, especially the young, moving from rural areas to the city. The city not only offers good job opportunities and higher wages but also an attractive urban lifestyle which includes trendy districts where amenities are in close proximity to one another and shops and nightlife can be accessed on foot. In addition to this, Hamburg has numerous cultural and leisure offerings; exhibitions; theatres; cinemas; etc. as well as a high density of diverse international restaurants; long retail opening hours and much more beside. Older people enjoy living in the city centre because it offers good transport connections and shopping, doctors, etc., all of which are within easy reach. The challenge faced by the city is to provide sufficient housing in the future – particularly in inner city areas.

**Number of rooms
(New-build apartment offering)**



Project: Waterlofts Kanalstraße, Source: Alt/Shift

MUNICH



1,560,042

Population
+4.7% (over 2014)



30,417 euros

Per capita purchasing power
125.4 (purchasing power index)



0.2%

Vacancy rate
5.4 (vacancy rate index)



24.2%

Home ownership rate
55.2 (index)

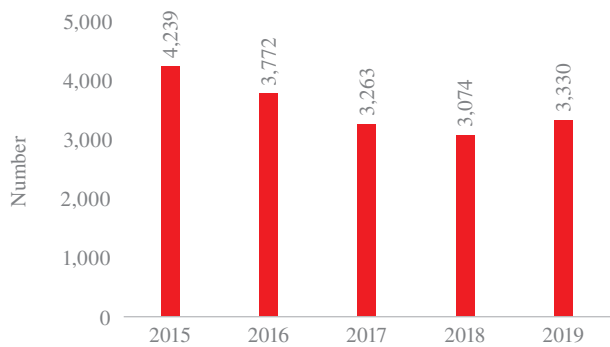


20.45 euros/m²

Rents quoted for new-builds
-1.0% (over 1st half of 2019)

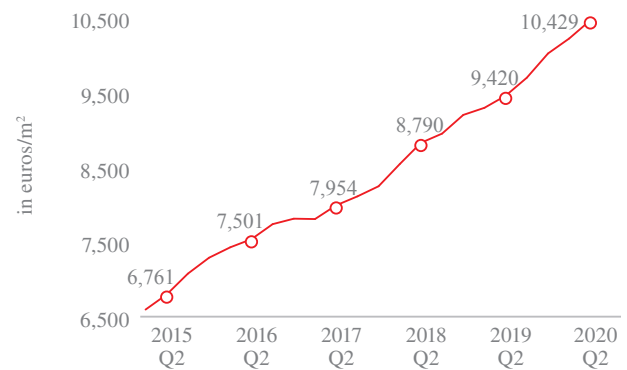
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



■ Transaction volumes * The Munich Committee of Valuation Experts does not provide any figures for new-build transactions
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



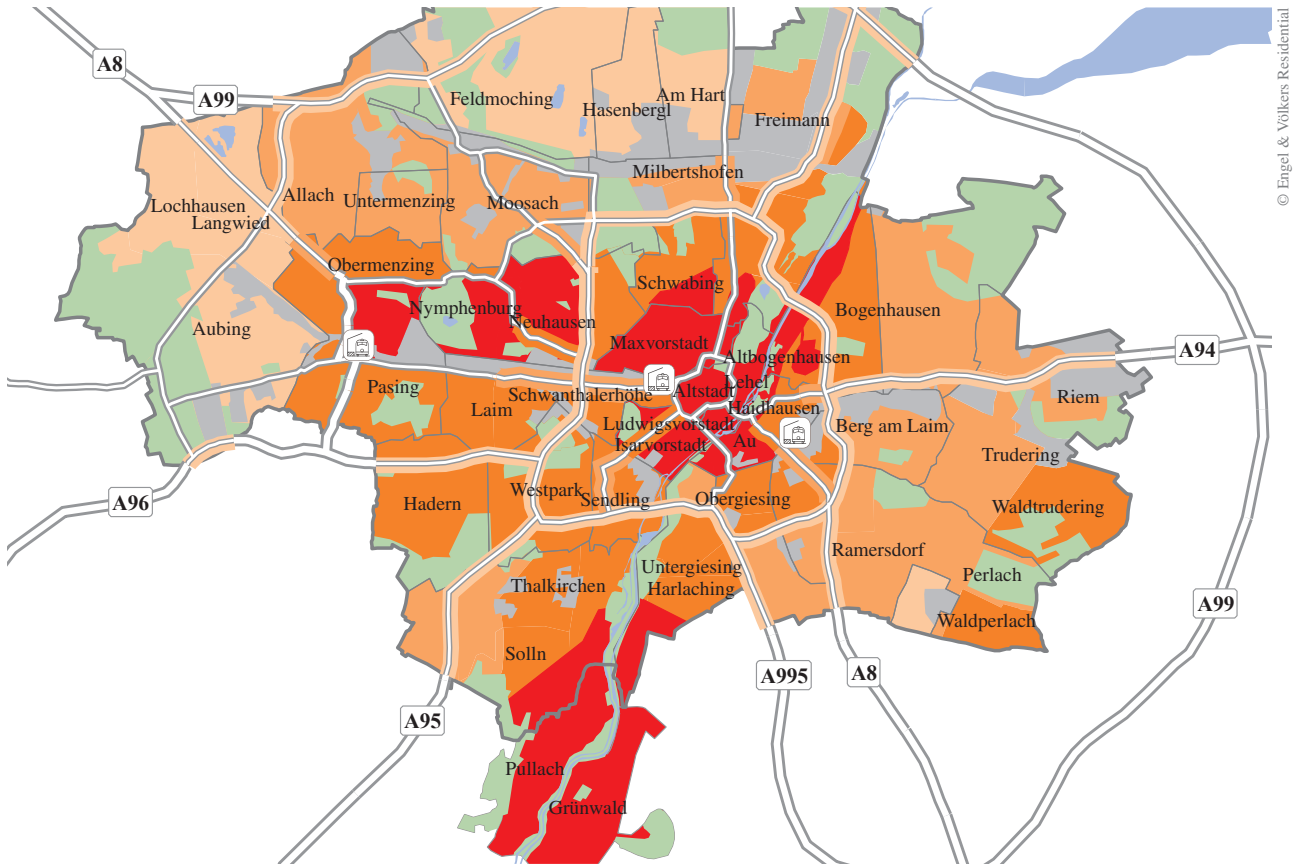
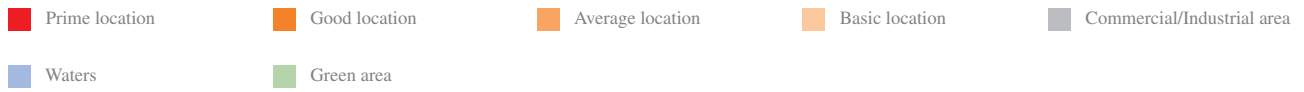
○ Price quoted (new-build)
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Obermenzing	214	9,660 (+7.8%)
Aubing-Süd	194	8,372 (+6.6%)
Untermenzing-Allach	189	8,217 (+5.7%)
Neuperlach	186	8,239 (+4.5%)
Solln	123	9,908 (+6.2%)
Neupasing	122	8,434 (+5.9%)
Waldtrudering	122	8,457 (+5.4%)
Siebenbrunn	98	10,908 (N/A)
Pasing	90	9,515 (+10.2%)
Harlaching	81	11,842 (+16.2%)
Altaubing	79	8,312 (+9.8%)
Trudering-Riem	78	8,563 (+12.7%)

Source: empirica-systeme, Engel & Völkers Residential

Residential real estate market locations



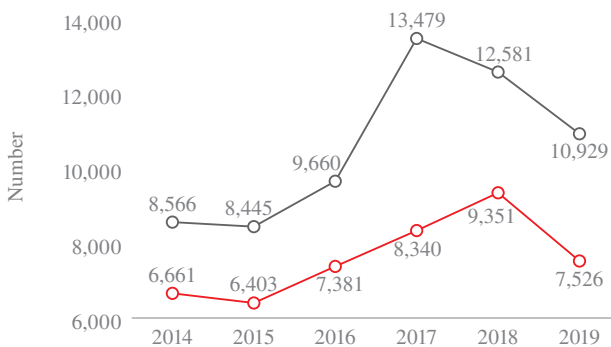
© Engel & Völkers Residential

Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² ■	10,500 – 23,000	12,500 – 25,000	13,500 – 27,000	→
■	9,000 – 12,500	10,000 – 14,500	11,000 – 15,000	↗
■	7,000 – 9,000	8,500 – 11,500	8,500 – 12,000	↗
■	5,500 – 7,000	6,500 – 8,500	6,500 – 9,000	↗

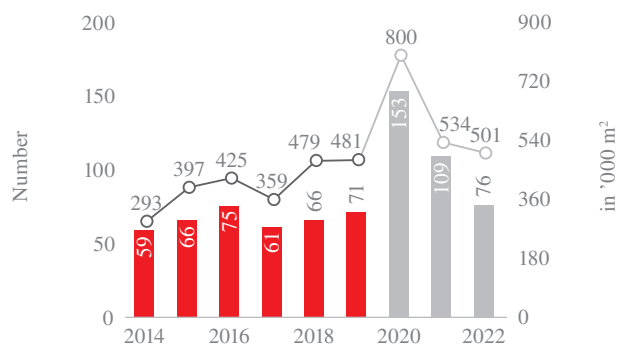
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments
 ○ Approved apartments
 Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects
 ○ Living space
■ Expected/Under construction
 Source: bulwiengesa, Engel & Völkers Residential

Current as of: 31.05.2020

Interview with a local expert



Silke Peschmann
Engel & Völkers New Developments
Munich

How is Munich's market for residential projects currently developing?

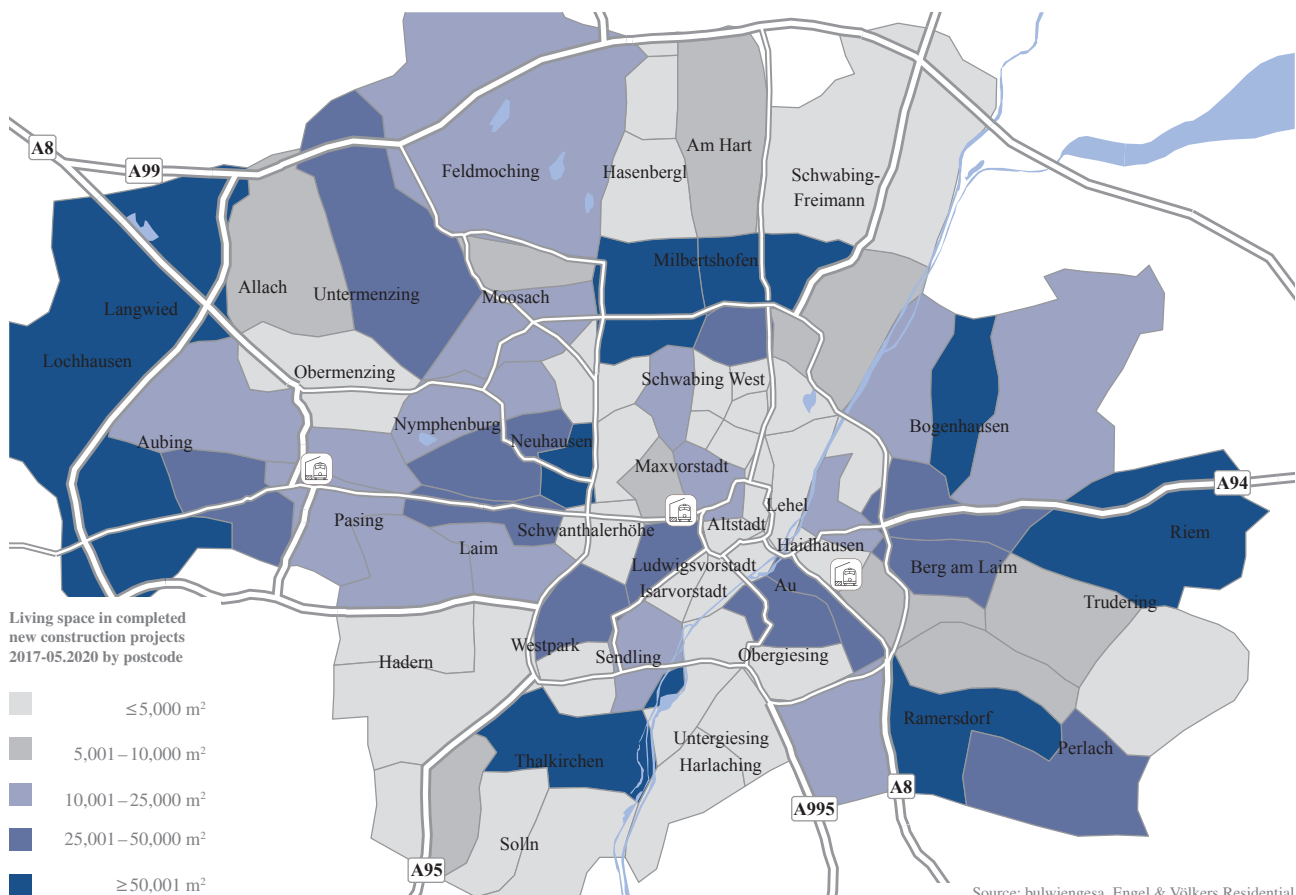
We currently appear to be experiencing a slow-down in price increases in the new-build residential property segment. The corona crisis and the present shift in reporting on the real estate market's future development have caused some uncertainty among many potential purchasers. Unlike in former years, investors are no longer prepared to accept annual increases in the upper price ceiling as a given. Here in Munich the number of completed residential projects is somewhat higher than was previously the case, which will lead to a slight increase in the residential property offering for 2020. Although sales cycles in

the new-build segment have become longer due to current circumstances it will, nevertheless, be possible to maintain the existing price level for the majority of projects.

What special characteristics does the Munich market have? How does it differ from other markets?

The special characteristics have remained the same, namely high purchasing power in conjunction with the city continuing to be a highly attractive location as well as continued inflow of population into Bavaria's metropolitan region. Foreign investors who, in consequence of Germany's successful corona crisis management, view the country in general and Munich in particular as a secure location for capital investments in the residential investment property asset class will, in future, be a special factor which should not be neglected. Low interest rates have had a beneficial effect on market conditions, which remain stable despite high prices.

Completed residential projects by living space





Which districts are new residential projects currently focusing on? Which districts could become a focus?

In western Munich, the focus is on Pasing, Ober- and Untermeuzing as well as the peripheral districts of Aubing and Lochhausen. In the east of the city new residential projects are underway in the expensive district of Bogenhausen and in Trudering. Over and above this, project developers are also focusing on Sendling and Harlaching to the south.

What are the current trends in new construction projects? Which types of apartment are being built most often?

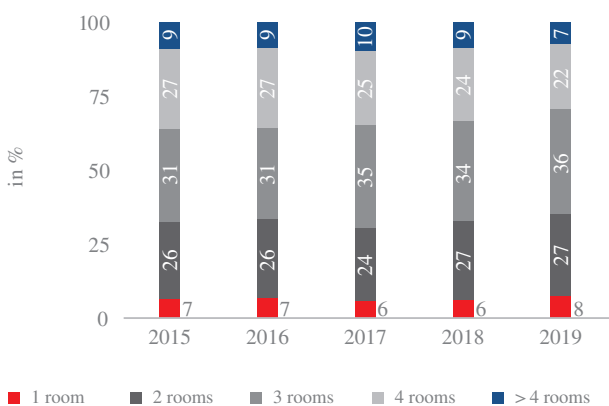
Construction activity in Munich continues to focus on freehold apartments, since excess demand is highest in this segment. In line with purchasers' requirements the majority of new apartments are small and medium-size and typically have two to three rooms and a living area

ranging from 65 to 90 square metres. Demand is, however, also strong for large-scale, single storey apartments and in particular penthouses in good locations. So-called serviced apartments and boarding houses located as close as possible to the city centre and/or with direct connections to public transport are also attractive options for developers.

How will the city and the market develop in future?

In coming years, the current positive development of completed new-build projects could give way to negative growth caused by the continuing increase in prices for building plots and looming restrictions on the prime prices which can be achieved. Demand in Munich is therefore expected to remain at the same level, while there will be little opportunity to obtain discounts on property purchases. Going forward the city will continue to be among the metropolises considered to represent particularly safe investments. Due to the ongoing scarcity of building plots; the largely exhausted potential for densification in inner city areas required for larger residential development projects and the lack of prospects for the easing of pressure on the market I believe that companies will increasingly be forced to shift their attention to Munich's hinterland. The most popular locations in these areas will again be those with good public transport connections. The onus is on politicians to further improve infrastructure in order to meet the existing demand for high-quality locations respectively to ensure that future demand is met.

**Number of rooms
(New-build apartment offering)**



STUTTGART



614,599

Population
+3.7% (over 2014)



27,277 euros

Per capita purchasing power
112.5 (purchasing power index)



0.5%

Vacancy rate
17.7 (vacancy rate index)



31.3%

Home ownership rate
71.4 (index)

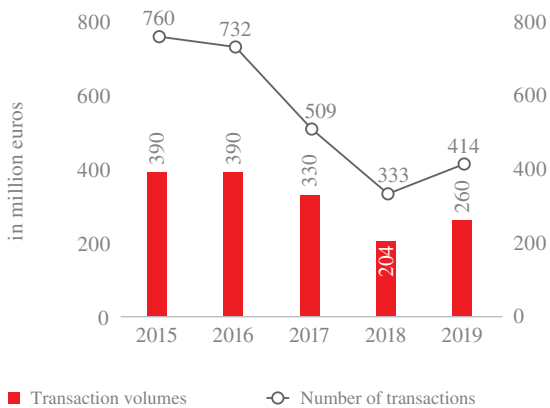


16.68 euros/m²

Rents quoted for new-builds
-1.1% (over 1st half of 2019)

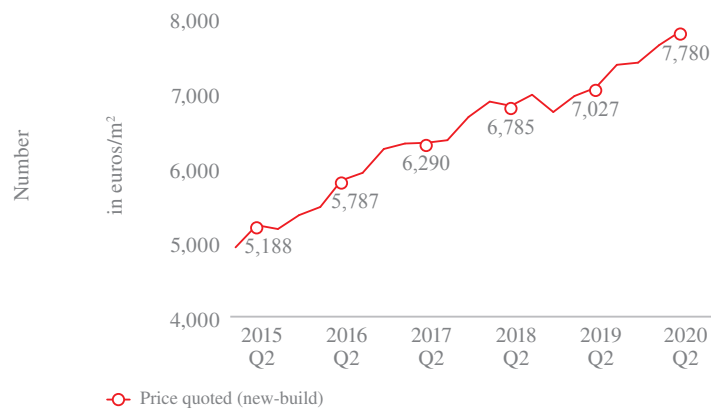
Sources: Municipal resident register, Nexiga, CBRE-empirica vacancy rate index, empirica regio, Federal and State Statistical Offices, empirica-systeme

New-build transactions for freehold apt.



■ Transaction volumes ○ Number of transactions
Source: Stuttgart Committee of Valuation Experts, Engel & Völkers Residential

Prices quoted for new-build freehold apt.



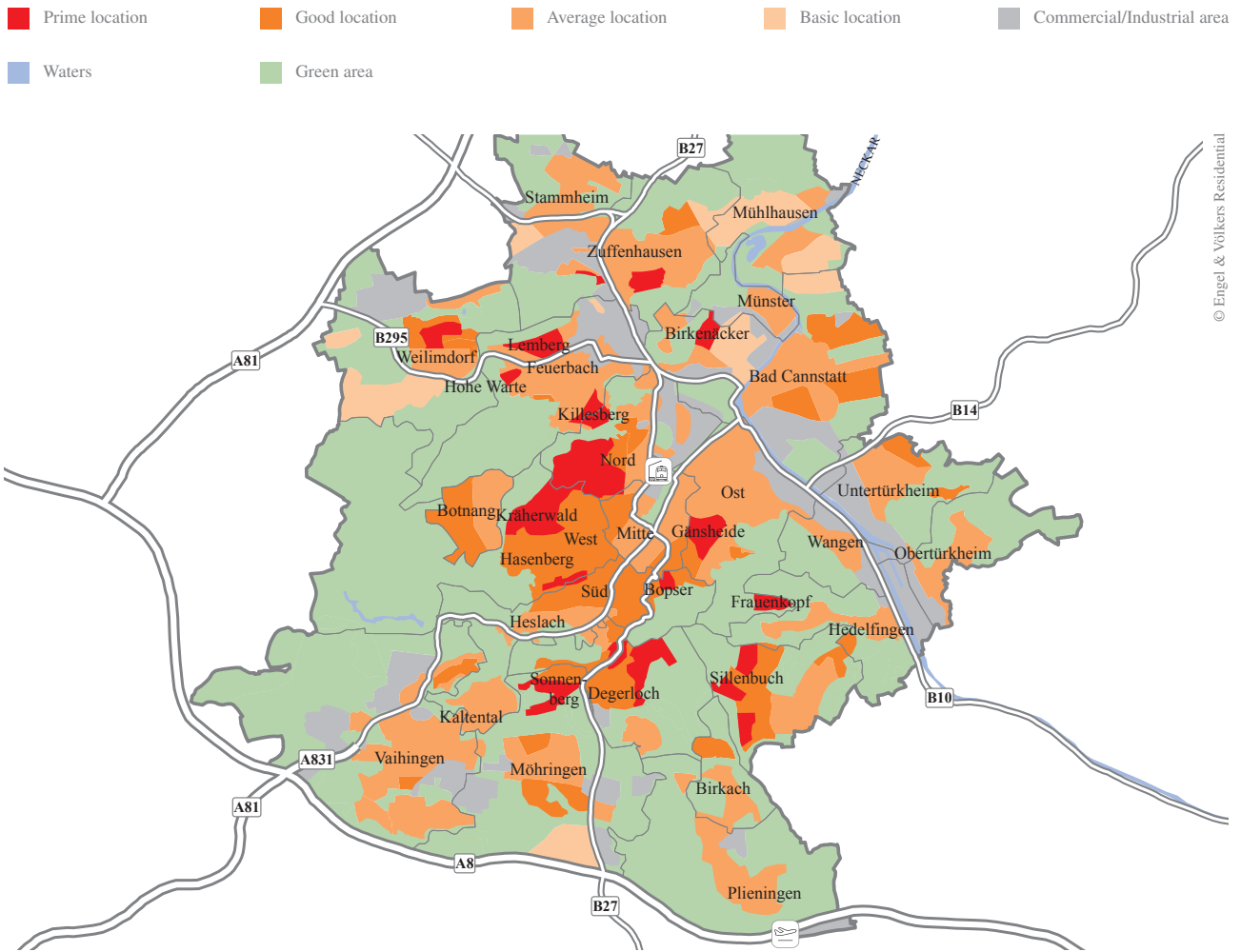
○ Price quoted (new-build)
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Birkach	54	6,022 (+6.7%)
Nord	43	8,335 (+0.1%)
Feuerbach	39	6,739 (+0.2%)
West	39	8,427 (+7.2%)
Ost	38	8,073 (+2.6%)
Möhringen	37	6,629 (+7.9%)
Degerloch	30	8,218 (N/A)
Zuffenhausen	27	6,783 (+12.1%)
Vaihingen	25	6,524 (+3.3%)
Sillenbuch	20	8,159 (+18.8%)
Süd	17	6,978 (+12.8%)
Weilimdorf	16	6,306 (N/A)

Source: empirica-system, Engel & Völkers Residential

Residential real estate market locations

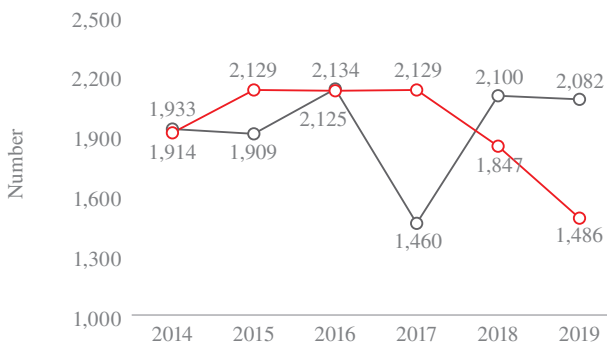


Prices by location for new development apartments

	2018	2019	2020	Forecast
Price in euros/m ² (Prime location)	5,700 – 12,000	5,900 – 15,000	5,900 – 15,000	↗
(Good location)	5,700 – 10,000	5,900 – 10,000	5,900 – 12,000	↗
(Average location)	5,000 – 8,000	5,200 – 9,000	5,200 – 9,000	→
(Basic location)	4,500 – 6,000	4,500 – 6,000	4,800 – 6,000	→

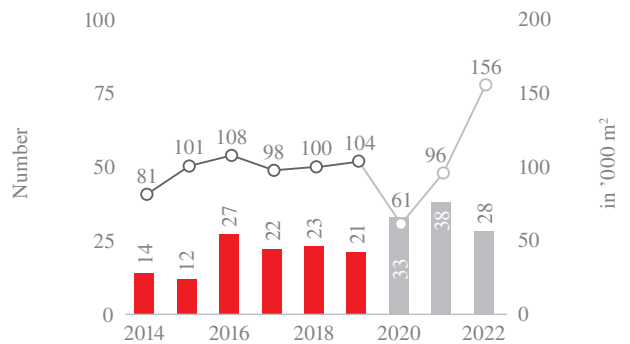
Source: Engel & Völkers Residential

Construction activity



○ Completed apartments ○ Approved apartments
Source: empirica-regio, Destatis, Engel & Völkers Residential

Completed residential projects



■ Completed projects ○ Living space
■/○ Expected/Under construction
Source: bulwiengesa, Engel & Völkers Residential Current as of: 31.05.2020

Interview with a local expert



Stephan-Andreas Philipp & Thilo Preller
Engel & Völkers New Developments
Stuttgart

How is Stuttgart's market for residential projects currently developing?

Numerous residential projects are currently underway in Stuttgart's exclusive residential areas. Most of these districts are located halfway up the surrounding hills, with views across the city. Projects include small numbers of residential units, with entry prices beginning at 9,000 euros/m². Examples of such developments can be found throughout Stuttgart, in the Killesberg, northern, western and central districts. There is a sufficient offering in this price segment, while marketing periods are becoming longer. Demand for 'affordable' new-build apartments is, in contrast, strong. Price levels in average locations are also very high. As a result, developers are shifting some of their projects to 'cheaper' peripheral areas where larger building plots are available. In recent years more new construction projects have taken place in the outlying districts of Feuerbach, Hofen and Zuffenhausen.

What special characteristics does the Stuttgart market have? How does it differ from other markets?

Stuttgart is located in a basin and thus has little potential for expansion, meaning that building land is scarce. Another special feature of the market are the expensive

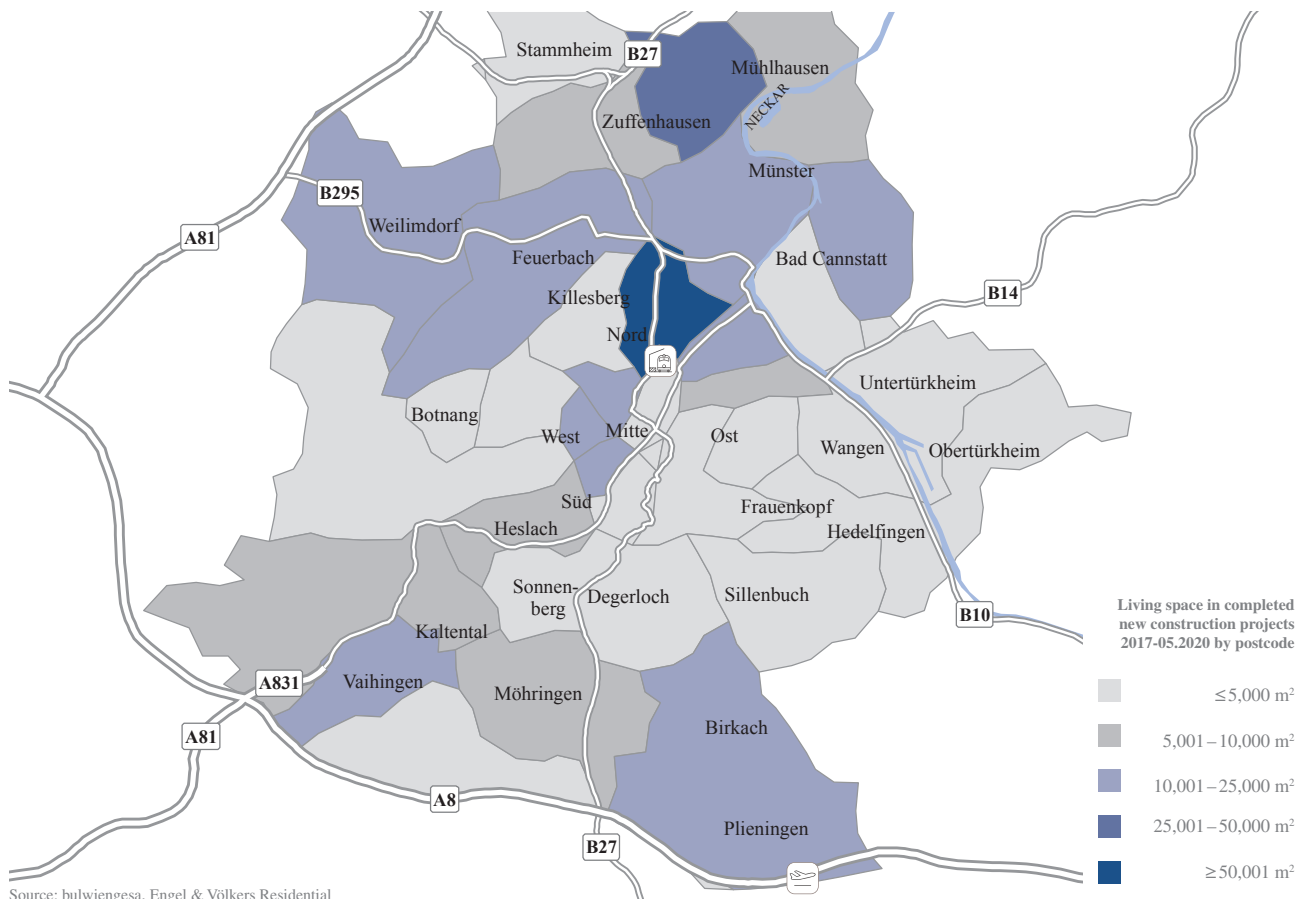
areas located halfway up or at the top of the surrounding hills with views across the city. The city is highly attractive to new residents since it is the centre of an economically strong metropolitan region which is home to large corporations such as Daimler, Bosch and Porsche as well as numerous medium-size and innovative companies. This in turn results in strong purchasing power and great demand for properties for sale and rent. Detached houses achieve particularly high prices.

Which districts are new residential projects currently focusing on? Which districts could become a focus?

Demand is currently focused on western Stuttgart where large residential development projects are under construction. The districts of Bad Cannstatt, Vaihingen and Möhrigen are also popular. More exclusive projects are located in Stuttgart North, Killesberg, the city centre and Degerloch. It goes without saying that peripheral areas are also benefitting from the limited, expensive market offering, with some demand shifting to these locations. A further focus could continue to be construction of single and two-storied housing in Feuerbach and Weilimdorf as well as in Zuffenhausen, Stammheim and Neuwirtshaus.



Completed residential projects by living space



What are the current trends in new construction projects? Which types of apartment are being built most often?

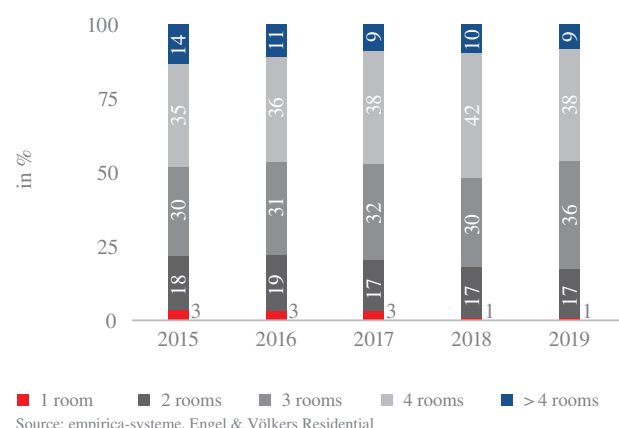
Homes which are close to the city are in demand; peripheral regions with good public transport links are therefore benefitting in particular from the city's development. There has been a marked increase in demand for small residential units which serve as capital investments. Another trend which is clearly visible in Stuttgart is rising demand for energy-efficient housing. In the high-price segment serviced apartments are also becoming increasingly popular. Large penthouse apartments are, in contrast, becoming more and more difficult to sell since the prices demanded for newly constructed properties of this type have become prohibitive. At present the apartments which are being built typically have from two to four rooms and are from 50 to 120 square metres in size. Open-plan layouts are particularly popular, as are large balconies and patios and high-end fixtures and finishes.

How will the city and the market develop in future?

No end to demand for new-build apartments in Stuttgart is in sight. The few sites which are available in the city

must therefore be exploited to their full in the future. The peripheral regions will continue to benefit from the lack of space in the city. Well-connected districts in northern Stuttgart can, for example, benefit from the high purchase prices in the city centre. Urban apartments nevertheless remain particularly popular and prices will therefore continue to be high.

Number of rooms (New-build apartment offering)



Stuttgart's hinterland - A growth region



Anton Wenz
Engel & Völkers New Developments
Stuttgart Hinterland

Which areas do you consider to be Stuttgart's hinterland? Could you briefly describe the residential new development market in the region?

Stuttgart's hinterland includes towns and communities which have excellent infrastructures and strong economies and outstanding links to the A8 and A81 motorways and public transport. The hinterland is becoming increasingly popular with large-scale investors and developers. The CG Group is, for example, constructing the Schwabenlandtower building in Fellbach, while Pandion is realising its first project in the Stuttgart area. In addition to this, some 150 residential units are being built on the edge of Leonberg. As a matter of principle high-rise buildings have to date not been welcomed in Stuttgart's hinterland and projects including more than 30 units are therefore the exception. Generally smaller apartment buildings with around six to ten units are built.

What special characteristics does Stuttgart's hinterland have? Who is the region interesting for?

Stuttgart's hinterland is particularly popular with people who want to live in a family-oriented environment but still be close to a large city with all its cultural and leisure amenities. Young families want their children to grow up in safe, green surroundings with less fine dust pollution. Property prices in Stuttgart's hinterland are also high, however many buyers believe that they have a greater chance of finding the right property in this region. The cliché that Swabians love a house with a garden actually seems to be a fact.

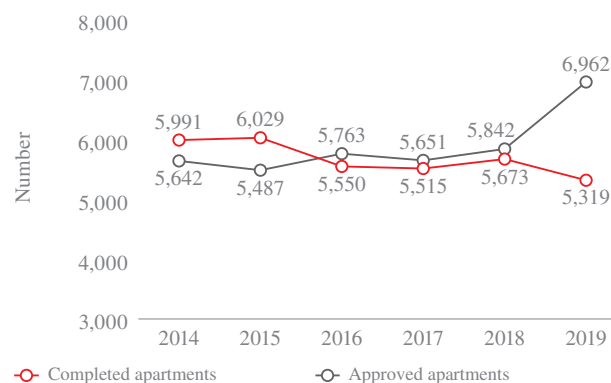
The towns and communities surrounding Stuttgart are autonomous and all have their own characters. Large companies such as Bosch, Daimler or Porsche have multiple sites in and around the city, meaning that they attach less importance to where they live. Many attractive houses in Ludwigsburg, Leonberg, Gerlingen, Böblingen or Sindel-

ingen are located on hillsides and have fantastic views.

How are the towns and communities developing?

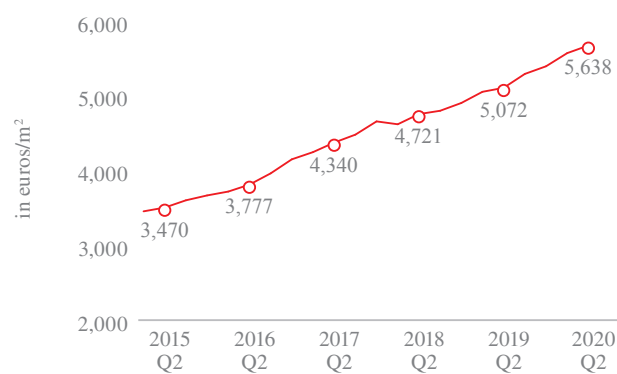
In recent years all of the towns and communities have experienced continuous population growth and are thus under pressure to approve new areas for residential development but struggling to achieve this. Larger plots are usually occupied by comparatively small detached houses dating from the 1950's and 1960's and many owners are unaware of their property's development potential, wrongly believing that the only option possible is construction of a new detached house. Such plots can, however, often be subdivided and used to build semi-detached or town houses. In some cases small apartment buildings are also an option.

Construction activity*



* Rural districts bordering Stuttgart
Source: empirica-regio, Destatis, Engel & Völkers Residential

Prices quoted for new-build freehold apt.*



* Aggregate of the most important parishes
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Parishes	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Ludwigsburg	155	5,649 (+6.0%)
Herrenberg	112	4,512 (+18.7%)
Leonberg	102	5,543 (+6.6%)
Filderstadt	98	4,578 (+1.9%)
Sindelfingen	97	5,410 (+26.3%)
Leinfelden-Echterdingen	53	5,491 (+15.5%)
Korntal-Münchingen	34	4,873 (+6.5%)
Remseck am Neckar	29	4,910 (+4.1%)
Böblingen	27	4,810 (+8.7%)
Ditzingen	25	5,177 (-2.5%)
Kornwestheim	23	5,883 (+35.1%)
Renningen	20	4,768 (+6.9%)
Schwieberdingen	13	5,007 (-0.4%)
Gerlingen	8	5,909 (+0.6%)

Source: empirica-system, Engel & Völkers Residential

What are the current trends in new construction projects? Which target groups have projects developers identified?

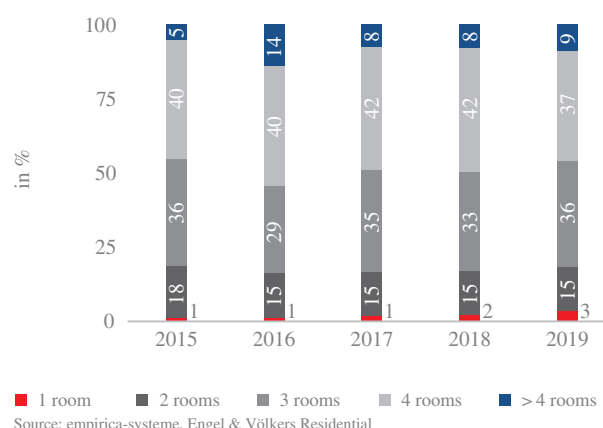
In city centre locations smaller apartments are in strong demand from singles and couples as well as capital investors and senior citizens, while 4-room apartments with outdoor space are popular with families. Older people like penthouse apartments with large roof gardens. This target group often live in their own houses on the periphery but are seeking to downsize because their properties have become too big and require too much attention. After selling their houses they still want to live in a spacious home but also to enjoy the better infrastructure and cultural amenities of the city centre. A new-build apartment with a lift which is located close to the centre is the perfect solution.

How will the market in Stuttgart's hinterland develop in future?

In recent years there has only been one price trend - up. As a result of corona some potential purchasers are worried about job security and have therefore postponed their searches. In contrast, other buyers who have been looking for properties for several years without success understand the market better and are more willing to make a decision than they were a few months ago. Many people are also becoming aware of the advantages of

purchasing property in Stuttgart's hinterland – quiet green surroundings; good infrastructure and childcare centres, schools and shops which are within walking distance. Going forward we therefore expect demand to continue to significantly outstrip supply. Some developers who have already acquired building plots and wanted to begin construction have, in some cases, postponed projects, which will, of course, further limit the offering which is available. Overall we believe that prices will remain stable in the next one to two years or could even moderately increase.

Number of rooms (New-build apartment offering)



Thuringia – A growth region



André Dufft
Engel & Völkers New Developments
Thuringia

Could you briefly describe the residential project market in the region?

Thuringia's property market is clearly structured and still has a lot of untapped potential. The market players are well-known and usually local to the area. To date the market has focused on Erfurt, Jena and Weimar, however Gera, Eisenach, Arnstadt and Apolda are also becoming more popular. Nordhausen to the northwest is also a good prospect. Throughout the region there is growing development potential for demand-led residential products in all medium-size and smaller towns.

What special characteristics does the Thuringia market have? Who is the region interesting for?

Thuringia is located in the heart of Germany and has an ideal infrastructure, making it a successful hub for activity. Its economic situation is good while its modern business environment is characterised by up-and-coming market sectors such as the manufacture of CATL batteries, optics, IT and research facilities. The region is home to numerous innovative medium-size companies and global market leaders. Well-trained specialist workers also

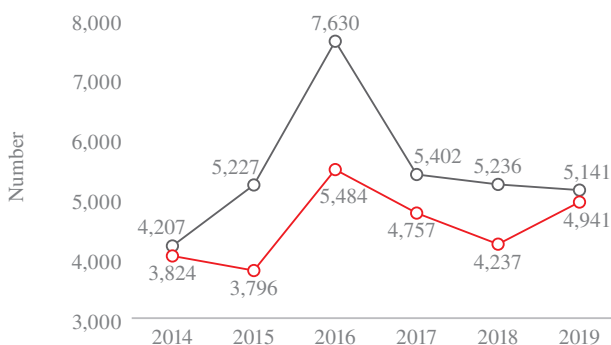
contribute to Thuringia's great potential as an attractive site for business relocation. The federal state has a strong cultural history and offers good leisure amenities and a high quality of life – for example in Erfurt. Many people who migrated away from the region are now interested in returning. In addition to this, Jena is a top location in central Germany and has the second highest rents in eastern Germany after Potsdam. The city is therefore also a highly interesting option for long-term investors.

How are Thuringia's cities and towns developing? What is the situation in the hinterland?

Thuringia's Top 3 cities (Erfurt, Jena and Weimar) will continue to experience positive development, functioning as the drivers for economic, innovative, ecological and also future-oriented growth across the entire federal state. Many other medium-size towns such as Gera, Eisenach,

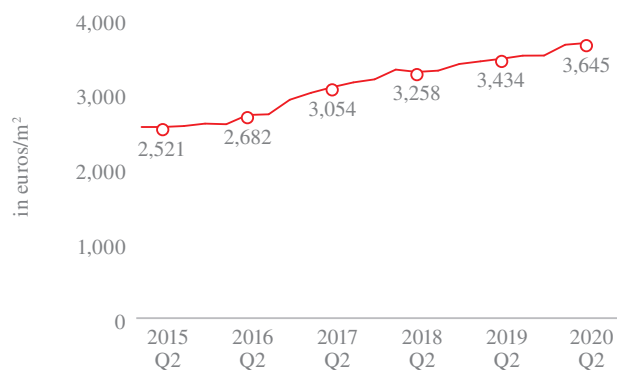


Construction activity



○ Completed apartments ○ Approved apartments
Source: empirica-regio, Destatis, Engel & Völkers Residential

Prices quoted for new-build freehold apt.*



○ Price quoted (new-build) * Average: Erfurt, Weimar, Jena, Gera
Source: empirica-systeme, Engel & Völkers Residential

Prices quoted for new-build freehold apartments

Independent cities/Rural districts	Number of new-build apartments offered	Price quoted 2019 in euros/m ² (over 2018)
Erfurt	130	3,544 (+1.7%)
Weimar	65	3,284 (+1.3%)
Jena	61	3,744 (+11.4%)
Gera	35	2,692 (+19.1%)
Ilm-Kreis	35	2,625 (+13.8%)
Gotha	29	2,743 (+6.3%)
Weimarer Land	22	2,465 (+6.4%)
Wartburgkreis	13	2,140 (+2.3%)
Suhl	12	2,607 (+1.5%)
Unstrut-Hainich-Kreis	12	2,339 (+6.2%)

Source: empirica-system, Engel & Völkers Residential

Gotha, Altenburg, Nordhausen, Ilmenau, Saalfeld, Suhl and Sonneberg will follow suit, although at a lower but steady rate. The numerous innovative companies, brands and designers also play an important role in this regard. These towns offer many opportunities for attractive projects. The hinterland will also benefit from, and has the added bonus of, a large number of leisure and recreation amenities. Despite this, the focus for profitable projects is more likely to be on the towns and cities.

What are the current trends in new construction projects? Which target groups have projects developers identified?

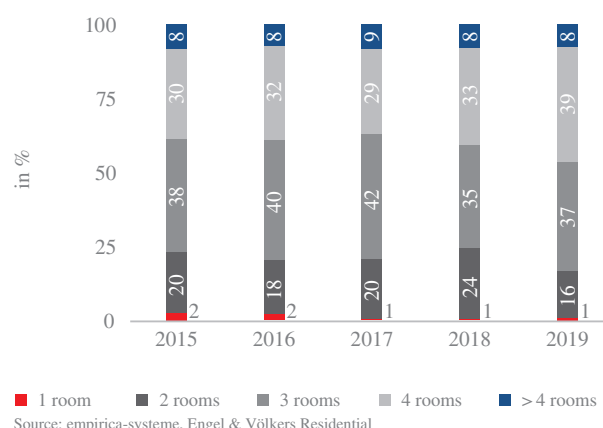
Good locations and high-quality housing are in high demand as are, in a few cases, highly exclusive projects. Project developers are thus focusing primarily on medium to upscale target groups. Over and above this, there is strong demand for housing in Erfurt, Weimar and Jena from families, with townhouses most popular, followed by detached and semi-detached houses. Student apartments and smaller residential units for singles or senior citizens also continue to be sought after. As a result of demographic change housing for older people is a growing trend throughout Thuringia.

How will the market in Thuringia's hinterland develop in future?

Thanks to the many positive location factors already mentioned above Thuringia will experience long-term growth. Although some rural regions will experience a decline in population, overall and in the medium-size and larger

towns and cities in particular, the region will establish itself as a popular place to live and work. In future new residential projects offering all the conveniences of modern living as well as high-end fixtures and finishes will be in very high demand, while purchase prices and rents will remain at a high level and increase slightly. In addition to this, the cities of Erfurt and Jena will require large volumes of new commercial and office space, resulting in economic growth and the inflow of skilled workers. Many other small and medium-size towns will also experience the expansion and development of manufacturing, logistics, research and similar sectors which will, in turn, positively impact the housing market. The current lack of centralisation in comparison to other metropolises will have positive consequences for Thuringia since it enables a high degree of flexibility and great potential for economic expansion and development.

Number of rooms (New-build apartment offering)





ENGEL & VÖLKERS DEVELOPMENT SERVICES

Forward-looking concepts for long-term benefits

The range of services we offer is tailored to each project's location, type, scale and scope. Not every project requires every service, but all projects benefit from our involvement early and in every aspect of the process.

Competent advice from a single firm is becoming ever more important for the planning and implementing of real estate projects. It is becoming more difficult to build housing in urban conurbations in particular. Various complex factors must be taken into account for real estate development process. They include the demanding requirements and special needs of today's tenants and buyers. Usage and location analyses must also be carried out and target group-specific design concepts must be produced. Comprehensive expert advice on purchasing land; project conception; project management and marketing services all from one firm ensures that everything is done to meet the schedule and that real estate development runs smoothly for all involved. In addition to this, cooperation with Engel & Völkers ensures as early as the design phase that the future property will be ideally suited to the demands of the market so that your real estate development project is a success.

The brand addition "Development Services" positions Engel & Völkers as a strong partner providing consulting and marketing services for real estate development projects from the beginning to the very end. From the idea to the concept to marketing of real estate projects, Development Services encompasses all the services which Engel & Völkers offers to investors and project developers for main or second homes in Germany and abroad. Take advantage of our national and international network's over 40 years of expertise in the residential property market. Monthly sessions to share experiences with experts in Germany and close cooperation between our offices allow access to several thousand clients searching for real estate; the exchange of information regarding market and residential trend developments and extensive new development know-how. In addition to this, we have an "International Board", a team of new development experts drawn from five countries.



Your marketing success is our top priority – Our experts will accompany you on the journey to get there. Visit the **Engel & Völkers Development Services homepage**.

1. Concept

From land acquisition to target group analysis – we can help get your project off to an optimum start.

- Target and needs oriented land or property acquisition
- Location analyses based on continuous market and trend research
- Detailed market and competition analysis
- Definition of the profiles and priorities of target buyer groups
- Identification of use-specific market characteristics



2. Project development

Whether layout, unit mix or amenities, we will assist you to implement your plans in line with the market.

- Advice on the optimisation of layout sizes and characteristics
- Assistance with unit mix planning
- Recommendation of fixtures and finishes
- Sound initial pricing recommendations for your project Development of a tailored marketing concept



3. Marketing services

From strategic project marketing to contract closure, we can smooth your path to successful sales.

- A dedicated project team made up of specialists
- Review and advice on the suite of sales and notarisation documents Handling of visits and open-house dates
- Assistance with buyers' unit specifications
- Assistance with meetings to fit out show properties
- Ongoing reporting on all marketing activities
- Negotiation of contracts and handling of closure



4. After Sales

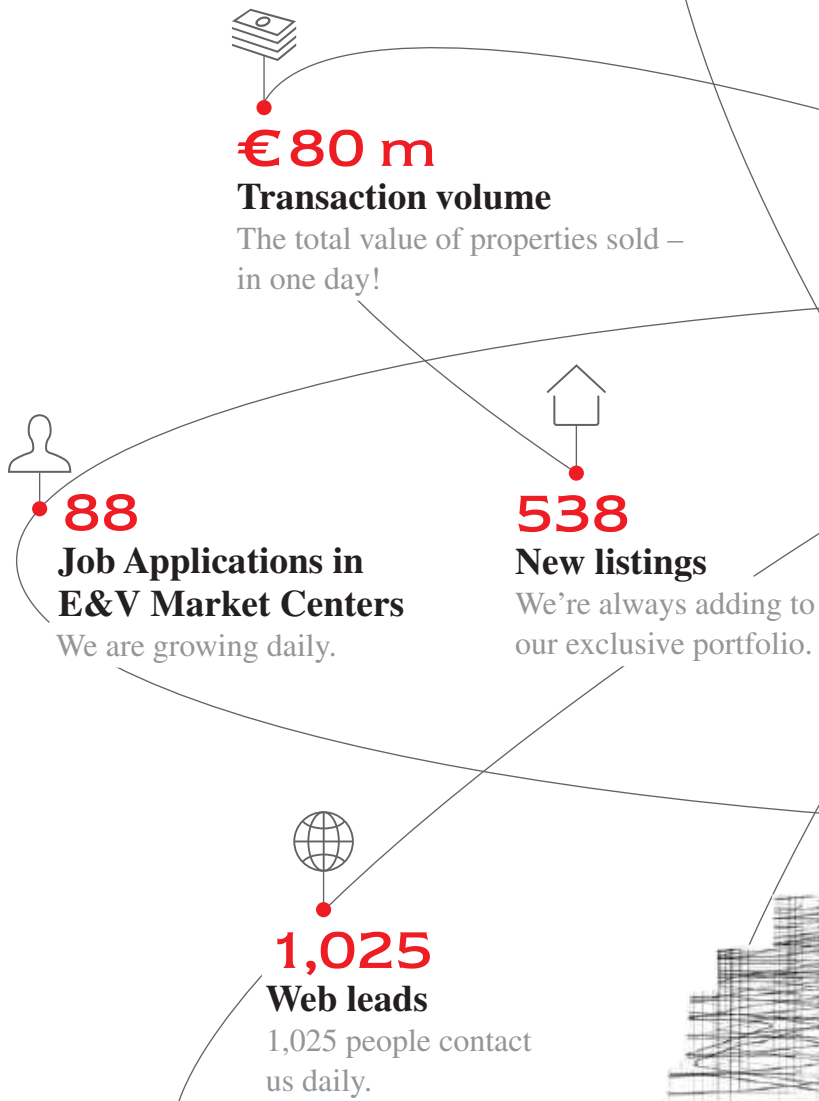
From leasing of individual units to final reporting, we can also assist you following handover.

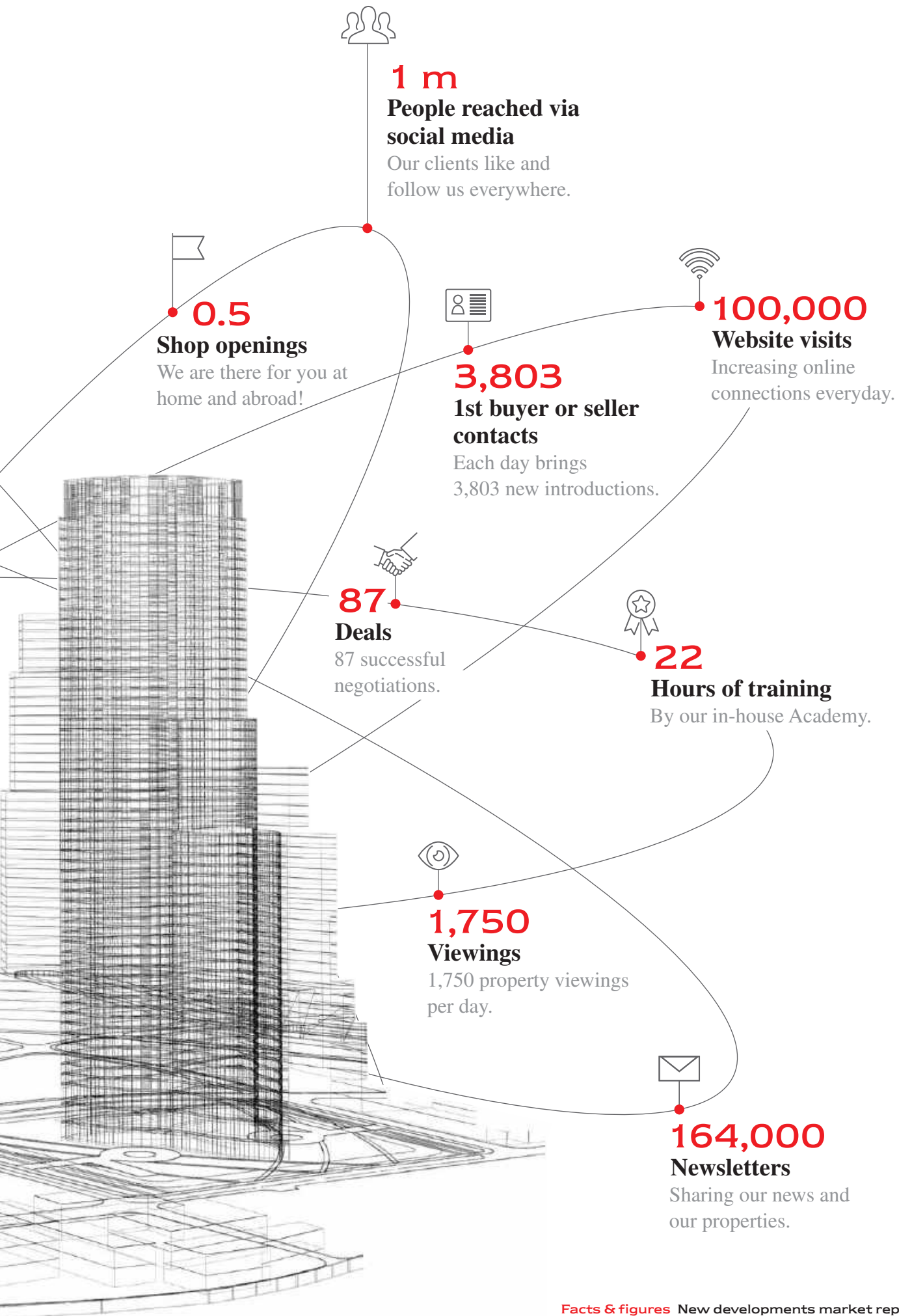
- Communications with clients until completion of closure
- Individual financing concepts produced by Engel & Völkers Finance Leasing of units for capital investors
- Detailed final project reporting
- Project-specific event management



24 hours at Engel & Völkers

Our brand strength and global network drive engagement 24/7, opening up a world of opportunities for your project.





Well-informed on every topic

The following section provides useful notes and explanations regarding the terms, diagrams and figures used in this market report.

New development

'New development' is the term used to describe the sale of individual residential units in newly constructed and/or fully redeveloped properties. These residential units are often sold prior to completion of the project.

Figures:

Population figures are based on information provided by communal statistical offices. They include all residents with a registered main place of residence as of 31.12.2019.

Purchasing power refers to available per capita income (net income excluding taxes and social insurance contributions and including any benefits received) of a city's population. The data was obtained from Nexiga GmbH and dates from 2020.

The '**market active**' **vacancy rate** is based on information provided in the CBRE-empirica vacancy index (as of 31.12.2018)

Home ownership rate describes the percentage of all residential units in a city which are used by the owners themselves. The index refers to the national German average of 43.8%. Figures are based on data provided by the German Federal and State Statistical Offices (current as of 31.12.2018).

Rents quoted are based on evaluations of the empirica-systeme market database. This refers exclusively to newly constructed properties. Evaluation period: the 1st half of 2020 and the 1st half of the preceding year for comparison.

New-build transactions:

Transactions are the result of properties sold within the scope of normal business transactions and their corresponding turnover volume (transaction volume) for the relevant city. In this context, new-build transactions usually refer to the first sale of apartments which were completed in the reporting year or in the two years prior to this. In Frankfurt only the reporting year and the preceding year were taken into consideration for the period up to and including 2016.

Prices quoted:

Prices quoted for each quarter are based on evaluations of the empirica-systeme market database. This refers exclusively to newly constructed properties. Prices quoted for each city district are based on the same source and relate to offerings in 2019.

Prices by locations:

The purchase price ranges for new-build apartments are stated in euros/m² and based on estimates made by Engel & Völkers Residential. The forecast arrow indicates the estimate for the relevant market under consideration for the second half of 2020.

Construction activity:

The 'Construction activity' diagram shows the total number of residential units completed or approved in the period under consideration and is based on data provided by the German State Statistical Offices or the German Federal Statistical Office, all up to the cut-off date of 31.12. of the stated year.

Completed residential projects:

The number and living area of completed residential development projects is based on data provided by bulwiengesa AG. From 2020 onwards the projects stated for each year are those which are expected/forecast to be completed in that year. This forecast is also based on data provided by bulwiengesa AG.

Number of rooms:

The 'Number of rooms' diagram shows the share of specific room sizes among all apartments offered in the city in the relevant year under review. Data is based on evaluations of the empirica-systeme market database. This refers exclusively to newly constructed properties.

YOUR CONTACT FOR NEW DEVELOPMENTS AT THE EXAMINED LOCATIONS

Wherever you are, we are there.

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Thüringen New Developments

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99084 Erfurt

Phone +49 (0)361-66 37 830
Thueringenprojekte@engelvoelkers.com

We are also represented at over 270 further locations in Germany.

Our diverse company profile



ENGEL & VÖLKERS

The success story of Engel & Völkers began in 1977 when the company started brokering prestigious residential property. Our strong brand is now bolstered by an acclaimed franchise system with a unique shop concept and a comprehensive range of services, as well as innovative marketing and IT capabilities.



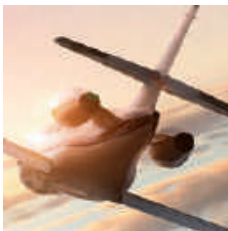
ENGEL & VÖLKERS COMMERCIAL

The Commercial division, founded in 1988, specialises in the brokerage of multi-purpose apartment and office blocks, office, industrial and retail space, agriculture and forestry, hotels and investment portfolios – and is represented with commercial offices in Europe, South Africa, South America, and the Middle East.



ENGEL & VÖLKERS YACHTING

Since 2007, the Yachting division has also formed a part of Engel & Völkers' comprehensive range of services. Alongside the brokerage of high-end yachts, this incorporates a charter service and management of new constructions and refitting projects.



ENGEL & VÖLKERS AVIATION

Our company's Aviation division was launched in 2015. It is dedicated to the global brokerage of business aircraft and private jets – from a charter service to sales, and from small propeller aircraft through to superjets for transatlantic flights.



ENGEL & VÖLKERS CHARITY

As part of our commitment to corporate social responsibility, we founded the Charity e.V. in 2008. With our primary school project in the village of Agbetiko, we aim to work with our cooperation partners to give the children there a dignified future. More information can be found at www.engelvoelkers.com/charity

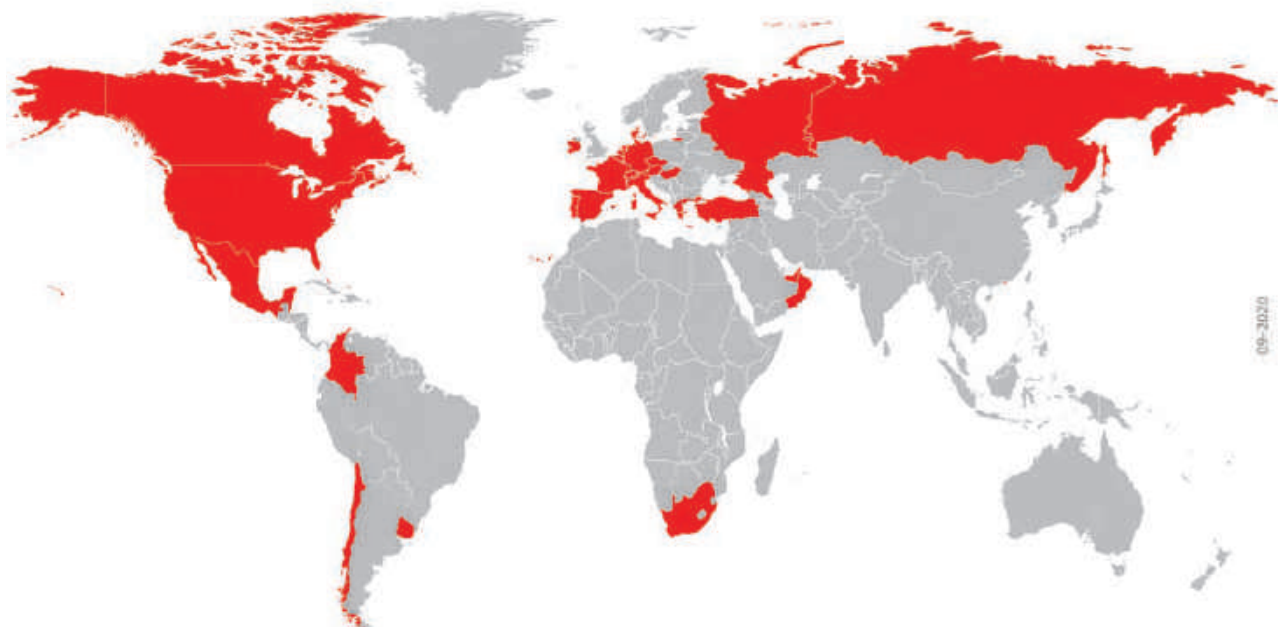


GG

As an independent magazine, GG offers enjoyment at its most sophisticated. Insightful interviews, trends and news from the worlds of architecture, lifestyle, design, fashion and luxury travel feature alongside exclusive homes and yachts from around the globe. Published quarterly in six languages, GG has a circulation of 300,000 copies.

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