GERMANY

Hallo!

Germany as a country really put the pedal to metal in 2017. All the economic indicators reinforce our view that it's the perfect time to be stepping into this market.

From our perspective, 2017 was a year of getting our bearings here in Berlin. A team of eight, we now have an established, enthusiastic culture. In truth, we now feel very much at home, and used all this as a catalyst in our efforts to find our first developments.

While there were many intriguing opportunities in 2017, we didn't feel 100% positive about any of them to push them through – until this year. Now, we have not one, but two developments in progress.

As you can imagine, we are hugely pleased to have two major acquisitions. The hard work very much starts now.

Marcel Sedlak

Country CEO

THE ECONOMY

The German economy continues to give everyone complete confidence. In fact, we saw the fastest growth since 2011 and, along with private consumption, it was investment that drove performance.

Businesses reported strong sales, especially in the fourth quarter – which should be good news for 2018 too. It's more a question of how much of a boost our economy will enjoy from continued low interest rates, a relatively weak currency, strong domestic markets and our EU relationships.

THE MARKET

2017 was an exceptional year for commercial property in many respects. Berlin, Munich, Frankfurt, Hamburg, Köln, Düsseldorf, Dresden, Leipzig and Stuttgart – the key cities – all either set new occupation records, or certainly were very near them. Considering potential arrivals from technology, universities, infrastructure and research and development, it is clear businesses feel economic growth is here to stay.

On the investment side, that positive sentiment has intensified even further. The talk across the industry is that, had been more options, there would have been even more than the already impressive €25bn put into new developments.

Demand does outstrip supply. And it's a situation that will take time to solve. So, given the political stability and solid wider forecast, most people expect the market to continue growing for the foreseeable future. The only possible brake could come from a change to the ECB's monetary policy.

Berlin, our prime focus, saw a combination of the city's popularity among young 'digital' workers and a positive economic forecast lead to many new or expanded R&D centres. This contributed to the healthy 900,000 sq m of contracts signed last year. All the key market indicators – prime rents, vacancy, net absorption and yields – strengthened, and have created a solid base for even more demand.

OUR PERFORMANCE

As a new territory for the business, this last year has been all about putting the right structure in place. Our eight full-time colleagues have worked hard to introduce the brand to the German industry and wider public.

Naturally, we've also been keeping our eyes peeled for potential first sites – examining in detail over 200,000 sq m worth of land. With such a positive market, we hoped to find the right project. In the end, we found two.
The first, in central Berlin, is a site inside the S-Bahn ring with the potential to become 45,000 sq m of Grade A office space. The project has already drawn attention from not only leading financial institutions keen to be involved; but also potential users who have spotted the project's creative concept, convenient location and advanced planning.

Our other development is in Dresden, perhaps surprisingly as felt we would first focus on the capital. However, the plot's location – near to both the city centre and Dresden's largest university – was too good an opportunity to miss.
In the midst of an infrastructure redevelopment zone, with a new tram line station opposite the building, planned 40,000 sq m of GLA looks to be very good value indeed.