



BREMEN
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REAL ESTATE MARKET REPORT – BREMEN 2020

OFFICE | LOGISTICS | RETAIL
HOUSING | INVESTMENT



Bremeninvest



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FOREWORD

→ After making a strong start in 2020 covering all areas, several operators on Bremen's real estate market have been cautious since the outbreak of the corona pandemic. While it is still impossible to predict how the current situation will play out, we can look back on 2019 as a good year for the local property market. And opportunities can also be identified in the near future.

Last year, the market for office properties broke the 100,000 m² take-up mark – and it has made a strong start to the first half of 2020 with a take-up of 41,000 m². There was a significant increase in new office space in 2019 (53,000 m²), which even included five major projects. A little less new space is expected in 2020 – but a new record of 76,000 m² will then be hit in 2021.

Another impressive figure was generated by the market for logistics properties, as the available warehouse space has risen to over 3 million m² in 2020, while the vacancy rate has dropped to 2.1%. There is currently 63,170 m² of warehouse space available for immediate use. Logistics properties may play a back-up role for increasingly uncertain markets in the future.

As a retail location, Bremen and its city centre are benefiting from the shift towards urban tourism within Germany. However, the financial ramifications of the corona pandemic are making retailers reluctant to lease vacant spaces. Great opportunities for sustainable urban redevelopment can be found in various major projects, such as the City Gallery, the Lebendiges House and the BALGEQUARTIER, which is already under way.

The building boom has stayed on course on Bremen's housing market. More residential buildings have now been completed following the backlog of permits in recent years. The local purchase prices continue to rise much faster than rental prices.

The investment market generated a record-breaking volume of 545 million euros in 2019. Although local stakeholders

are now exercising more caution due to the current events, a volume of 500 million euros could be achieved in 2020 following a promising start to the year. Bremen's real estate market has always been a popular choice for investors.

This report on the local property market not only provides all facts and figures on the latest developments; it also shows potential areas that could be exploited in hard times. Let's make the most of the opportunities together! We look forward to having a personal conversation with you.



A handwritten signature in blue ink, which appears to read 'Andreas Heyer'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Andreas Heyer
CEO of Bremeninvest

PROPERTY MARKET – BREMEN 2020



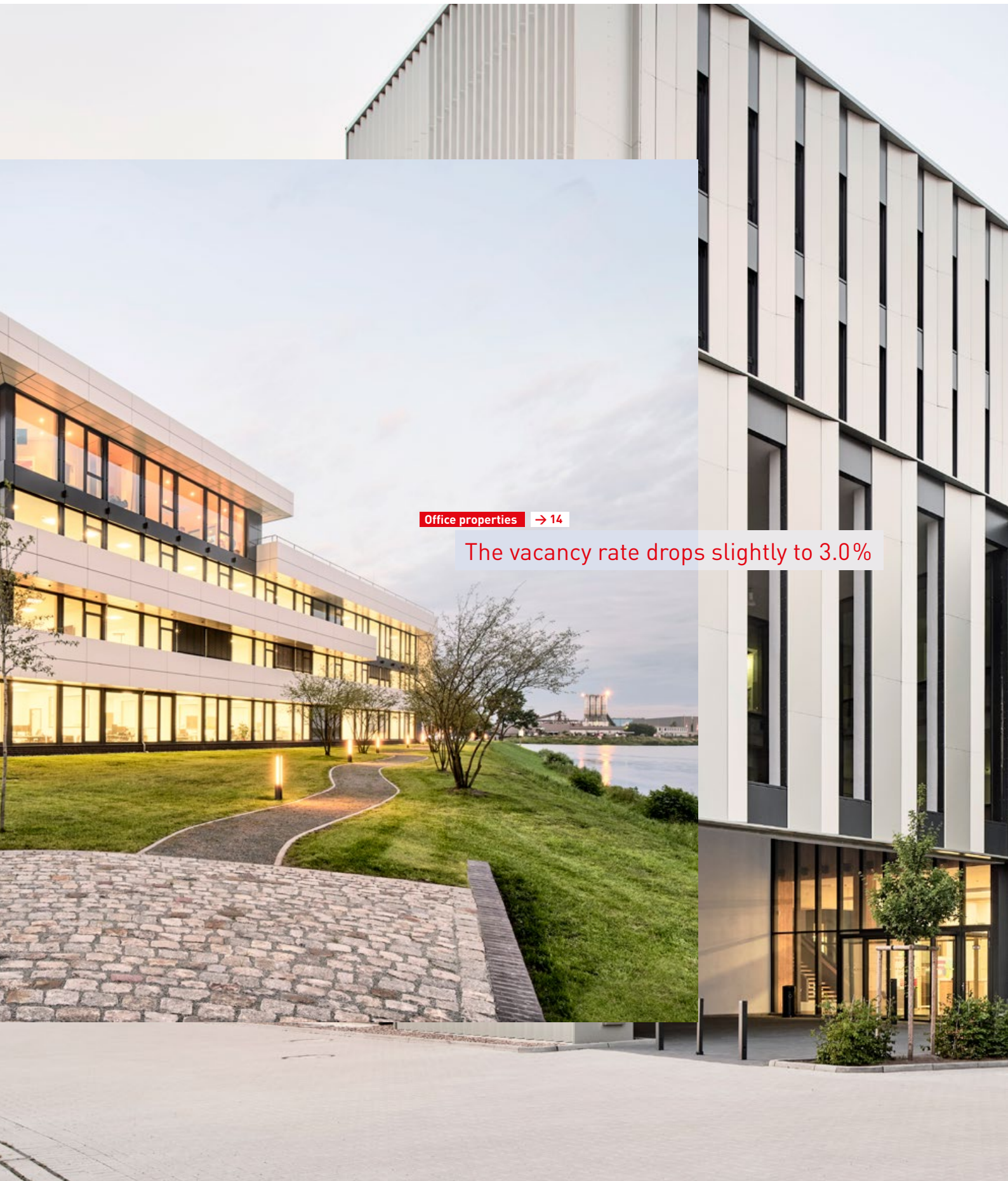
Stadthaus, City
Centre
↑

Bömers Spitze,
Überseestadt



Office properties → 14

The office market makes a great start to the first half of 2020 with 41,000 m²



Office properties → 14

The vacancy rate drops slightly to 3.0%



Office properties → 14

A large growth in office space is expected (43,000 m²)

The investment volume is expected to break the ½ billion mark in 2020

Investment market → 25



Logistics properties → 17

The rent for logistics properties remains low despite a slight increase



The vacancy rate drops to 2.1%

Logistics properties → 17



Logistics properties → 17

Available warehouse space rises to 3 million m²



Retail location → 20

Bremen is still a popular shopping destination;
footfall remains stable



GlückGlück Weinhandel am Buntentor, Neustadt



Retail location → 20

Major retail projects create opportunities for urban redevelopment



Appelrath Cüpper GmbH, City Centre
↑

Johann Jacobs Haus GmbH, City Centre



Housing → 23

Purchase prices rise by 5.3% due to continued demand

Housing → 23

Large rise in completed projects

Good start to 2020: 300 million euros
in transactions

Investment market → 25

Housing → 23

Housing boom continues

BlauHaus, Überseestadt



TAKE-UP CONSTRUCTION PRICE LEVELS

BREMEN BREAKS THE 100,000 M² MARK

In 2019, more office space changed tenants than in the previous year and significantly more new projects were completed.

In 2019, the office space take-up exceeded the 100,000 m² mark for the first time since 2016. Small properties accounted for just over half of the total take-up. The peripheral areas of Bremen have become more popular. There was a significant increase in office space in 2019 (53,000 m²), which even included five major projects. The office market made a promising start to 2020. It is difficult to assess the extent to which the macroeconomic changes caused by the corona pandemic will affect new construction projects, vacancy rates and rental prices.

→ In 2019, 101,500 m² of office space was taken up in Bremen. Over the previous five years, the average take-up had been around 96,000 m². The lettings were evenly distributed over both halves of the year, although the first six months were marked by the Zech Group's private letting of 18,500 m² in the "Europahafenkopf" building. A lot more projects were rented out in various locations in the second half of the year.

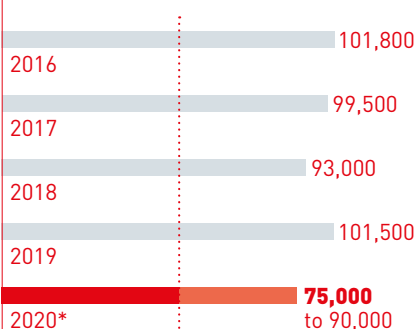
With a take-up of 41,000 m² in commercial rental space, Bremen's office market achieved some remarkable figures in the first half of 2020 despite the pandemic. Only around 9,000 m² less space was leased compared to the first half of 2019. This result becomes even more impressive when we consider the fact that no major letting is in the pipeline, such as the property that has been leased by the Zech

Group since 2019. The 41,000 m² take-up is therefore a remarkable result for the first six months.

As the macroeconomic effects of the corona pandemic are yet to peak, however, it is difficult to predict how much the office property market will be hit in the second half of 2020. Some companies may need to rent more space and additional properties at short notice to meet the new hygiene

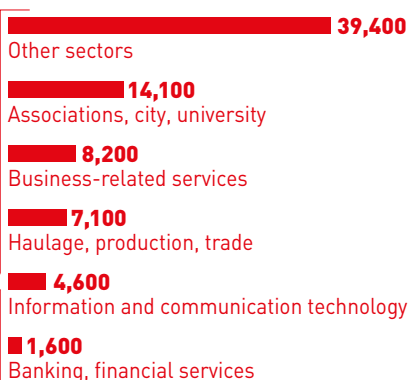
Leased office space

in Bremen from 2016 to 2020, (in m²)



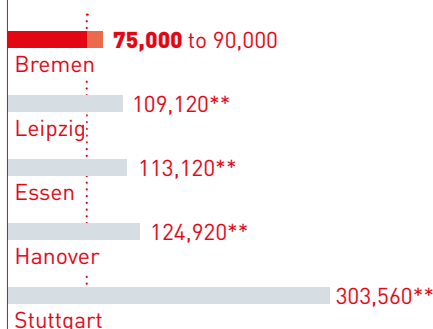
Branch structure

of rented office space in Bremen in 2020* (in m²)



2020 city comparison

of rental take-up* (in m²)



* Forecast

** Forecast average from the past five years

requirements. It remains to be seen how the office market will be affected by employees working from home. We are therefore faced with more uncertainties than usual. According to our tentative estimates, around 75,000 m² of commercial space could be taken up in 2020, and this figure could even reach 90,000 m² if the situation develops more positively.

TAKE-UP

Small areas account for half of take-up

Just over half of the total area that was sold or rented out in 2019 was no greater than 1,000 m². There were only a few major deals for over 5,000 m². Thanks to the private letting by the Zech Group, however, such major projects account for over

30% of the total take-up. Medium-sized deals for 1,000 to 5,000 m² only accounted for around 18% of the take-up.

This changed in the first half of 2020, when a large part of the sold and rented space was in the medium-sized category. No deals have been concluded for over 5,000 m², nor are they expected in the second half of the year, as companies have become more cautious in the face of the corona crisis.

Peripheral locations are popular

Peripheral locations are becoming increasingly important, accounting for around a third of the total take-up in 2019. This is partly due to a selection of major projects, such as the "Mühlenviertel" and "Die Fabrik". When it comes to delimited office spaces, only the Überseestadt achieved a similarly high value in the peripheral areas (19%) thanks to the private letting by the Zech Group.

The largest single letting of 2020 was on the outskirts of the city, where the demand has dropped recently. Brunel GmbH is moving to the Jacobs Tower on Langemarckstraße (4,500 m²), which is still being renovated. Only a small number of properties are being let on the Airport City industrial estate, which has been the case for several years.

In the category of delimited office spaces, the Überseestadt, Technology Park and outskirts of the city were leading the way in the first half of 2020. We can safely assume that the Überseestadt will continue to excel in this area, as further attractive office buildings are set to be completed there in 2020 and 2021.

Market shaped by service providers

Similar to the previous year, the office property market has been shaped by miscellaneous service providers in 2020. It had a share of 40% in the first half of the year, but this category is dominated by Brunel GmbH with the largest single letting. Associations / chambers / public authorities / universities are in the double-digit percentage range with around 18% and business-related services with approximately 14%.

CONSTRUCTION

Five new major projects

Much more new office space was created in 2019 (53,000 m²) than in the previous two years. Five major projects were completed, each with an area of over 5,000 m²: City-Gate, ECOMAT, Bömers Spitze, the new headquarters of Kühne + Nagel and Office Center II.

The new building for Sparkasse Bremen in the Technology Park is the largest single project of 2020. Around 43,000 m² of office space is expected to be completed this year. This figure is below that of the



Deutsche Factoring Bank GmbH & Co. KG / Essighaus, City Centre

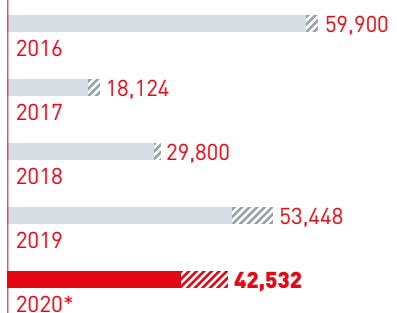


Tabakquartier, Woltmershausen



Construction in Bremen

Development from 2016 to 2020
(in m²)



of which available * Forecast

previous year but still well above the levels recorded in 2017 and 2018.

A new high could be achieved in 2021. Almost 76,000 m² of new office space is currently being built – more than in the peak year of 2006. However, it remains to be seen whether the corona pandemic will cause delays in projects that are currently under construction or about to begin.

Less empty space

In 2019, vacancies rose again slightly by 3,000 m² after standing at 113,000 m² in 2018. Around 111,800 m² of space is available in 2020, constituting a decrease of 0.1% to 3%. This is because 92% of the office space completed in 2019 could be leased straight away.

Due to the high number of completed projects, there could be a slight increase in vacancies in 2021. However, it remains to be seen how the pandemic will actually impact the demand for office space. Modern office spaces in Bremen are still being quickly absorbed. And as project developers in Bremen are reacting extremely quickly to changes in the market, no significant changes in the vacancy level are expected in 2021.

It is difficult to estimate the potential impact of the corona pandemic. Key sectors may fail, the vacancy rate might increase as a result of company insolvencies, and decisions regarding expansions or relocations might have to be postponed. As a long-term effect of the pandemic, work processes could become increasingly

digitised and employees might increasingly work from home. This could also reduce the long-term demand for office space and increase the vacancy rate.

PRICE LEVELS

Prime rent levels remain stable – despite corona

The corona pandemic has not yet been found to have a negative impact on prime rent levels – the highest rent level has remained stable in all sub-markets. In fact, the prime rent has even increased recently in the peripheral areas due to the large number of construction and renovation projects.

The prime rent level is still around 14 euros/m² in the Überseestadt, where a slight drop to 11.50 euros/m² can only be noted in the average rent levels as a result of the restrained demand caused by the corona pandemic. In the city centre, both the prime rent and average rent levels have remained stable at 13.10 euros/m² and 8.70 euros/m² respectively.

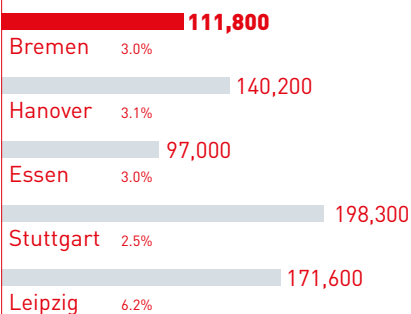
The Überseestadt will continue to consolidate its reputation as a top location on Bremen's office market. This will be ensured by the attractive new spaces to be completed in the near future. Maximum rent levels – even higher than the prime rent level – could even be achieved for small and well-equipped units. One important new player on the office market is the Tabakquartier, where tenants have welcomed the refurbished facilities with open arms.



↑ Top: ECOMAT, Airport City
Bottom: Visualisation of Oberneuland Residential and Office Park /
Copyright: WWB Weser-Wohnbau Holding GmbH & Co. KG

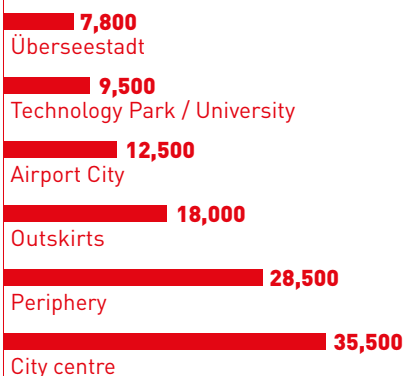
2020 vacancy rate in Bremen city centre

by national comparison (in m²)



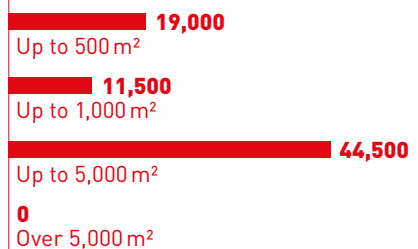
2020 vacancy distribution

amongst Bremen's office locations* (in m²)



Size structure

of 2020 letting rate*



* Forecast

TAKE-UP INDUSTRIAL ESTATES PRICE LEVELS

WAREHOUSES ARE BECOMING SYSTEMICALLY IMPORTANT

The local warehouse portfolio continues to grow, offering excellent conditions for logistics companies

Bremen is a highly efficient logistics location. However, the strong figures indicated in this report mainly reflect the situation before the corona pandemic. For example, the available warehouse space has risen to over 3 million m². In addition, the rent levels have increased slightly and the vacancy rate has fallen. In view of the ongoing corona situation, logistics properties may become systemically important in the near future: While the logistics sector is facing great uncertainties, logistics properties could offer a much-needed cushion.

→ With its prominent position on the River Weser and its close proximity to the North Sea, Bremen offers excellent infrastructural advantages as a logistics location. This is complemented by the wide range of local logistics properties. The region also offers a great deal of added-value opportunities for project developers, investors and companies that are starting off in the logistics sector

or want to expand on their corporate success.

Bremen is strategically located in the middle of Europe, making it a key location for international trade. The high-efficient container terminals in Bremerhaven are used to cargo handling, and most of them are picked and packed or processed in Bremen. A considerable quantity of goods from the ports in

Hamburg and Wilhelmshaven often pass through Bremen on the way to international destinations. German and international logistics companies can enjoy optimal conditions in the centre of the three major ports.

The logistics sector is one of the main industries in the metropolitan region of Bremen-Oldenburg, where around 115,000 people are employed. The state



of Bremen is a hotspot for pan-European logistics and continues to consolidate its top position and market its logistics expertise across the world by constantly optimising processes and value chains.

TAKE-UP

Warehouse space rises to over 3 million m²

Although some of the data for this report was collected during the corona lockdown, the figures reflect the positive situation for logistics companies before the pandemic.

During the reporting period, for example, the warehouse portfolio in the city of Bremen grew to around 3.01 million m². However, the take-up fell to 238,800 m² – 54,800 m² less than in the exceptionally good previous year. New contracts were concluded for 20 properties – one more than in the last reporting period – of which 9 contracts were concluded for 10,000 m² or more. Around 20% of the available properties can be used for manufacturing, as some are equipped with overhead cranes for heavy mechanical engineering and plant construction.

Bremen's great potential and top position on the logistics property market is clearly reflected by one major aspect: Unlike in the "Big 5 Metropolitan Areas" (Hamburg, Frankfurt, Berlin, Düsseldorf and Munich), where the surrounding areas are also assessed, the statistics for Bremen only include the urban part. Furthermore, the figures for Bremen do not include logistics facilities located on

the premises of industrial and commercial companies, such as AB InBev, Daimler AG and ArcelorMittal. Such warehouses are only included if they are available to the market and operated by an external logistics service provider.

Large drop in vacancies

The vacancy rate for logistics properties has dropped by almost 1% to 2.1%. 63,170 m² of warehouse space is now immediately available for logistics activities. The portfolio of available existing properties also includes older buildings and specialist real estate. The vacancy rate has been falling steadily in Bremen since 2005, although it hovered between 3% and 5% in 2018 and 2019, which is normal for the market. A very low vacancy rate makes it difficult to react to market fluctuations.

PRICE LEVELS

Slight increase in rental prices

The average rent for logistics properties in Bremen is rising slightly by 2 cents to 3.31 euros/m². High-quality properties are drawing a basic monthly rent (excluding heating bills) of 4 euros/m² or more. Around 45% of the existing properties cost between 2 and 3 euros/m² or less. By way of comparison, the rental costs in the Düsseldorf

area start at 3.25 euros/m² and peak at between 5 and 6.20 euros/m². This makes Bremen an attractive location for logistics service providers.

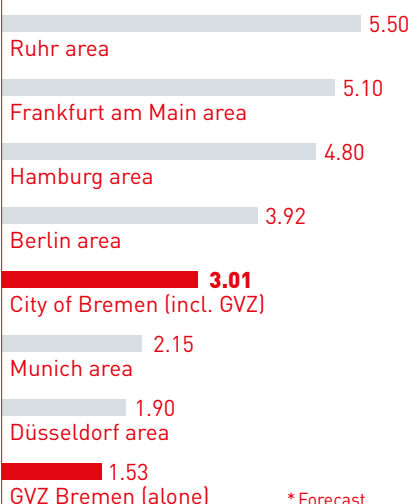
Bremen's diverse range of properties is reflected in the different rental prices. There are suitable buildings not only for production-related processes, but also for sales campaigns that require high storage volumes at short notice. The real estate portfolio ranges from simple warehouses to buildings that are optimally suited for food distribution.



→ Alpha-Pumpen-Technik GmbH, Hansalinie Industrial Estate

Warehouse space

by national comparison in 2020*,
(in million m²)



* Forecast

→ Valeo Wischersysteme GmbH, Hansalinie Industrial Estate



Freight centre accounts for a third of take-up

Bremen's freight centre (GVZ) accounts for one third of the region's take-up. The top-class logistics hub came out as the best European location in this year's rankings published by the Deutsche GVZ-Gesellschaft mbH.

The GVZ is characterised by combined cargo traffic and contract logistics. The associated distribution logistics in the consumer goods industry is dependent on the performance of the retail sector, which includes sales made both online or offline in shops. One key feature is the interconnectedness of the logistic systems between customers and logistics service providers. On the other hand, there is a tough price and distribution war in transport, storage and handling (the classic functions of logistics). This affects all levels of the sales channel, including the sufficient or disrupted supply of the population. In this respect, the main role of logistics centres like the GVZ is to ensure stability.

INDUSTRIAL ESTATES

Production logistics at the heart of the automotive industry: Hemelingen Port, Hansalinie and Bremer Kreuz

25 years after the Bremen Senate gave the go-ahead for the development of the Hansalinie industrial estate, an area of 539,200 m² is now occupied by logistics properties. Most of the 3,500 warehouse employees supply 12,500 people who work

at the Daimler AG plant. Deliveries are made several times a day as required. Bremen's cluster of production logistics companies, which are also located at Hemelingen Port and Bremer Kreuz, operate across 756,450 m² of logistics space.

The plant operated by Daimler AG has an area of 1.39 million m², making it bigger than Bremen's city centre (1.18 million m²) and highlighting how important the logistics sector is for the economic power of the centres. Production logistics forms a link between supply and distribution logistics.

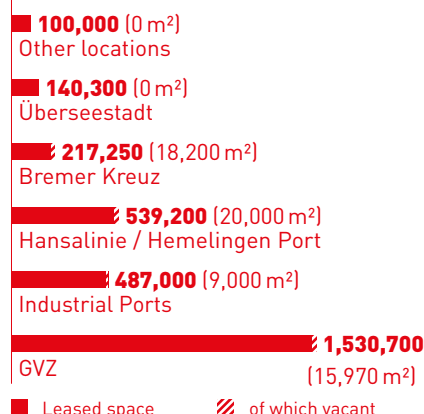
Outlook for 2021: As uncertainty becomes the new norm, safety stock levels will grow and more storage space will be needed

The corona pandemic is slowing the rapid growth of the logistics industry in a way that was previously unexpected. Our long-standing business models, processes and market mechanisms are colliding with new regulatory measures, destroyed supply chains and striking capacity constraints. National and international supply chain management is becoming a challenge through the "stop-and-start" nature of the current situation. Uncertainty is becoming the new challenge.

In the current situation, logistics properties are acquiring new systemic importance. They could offer the cushion needed to bridge uncertain situations. Nevertheless, the pandemic has created

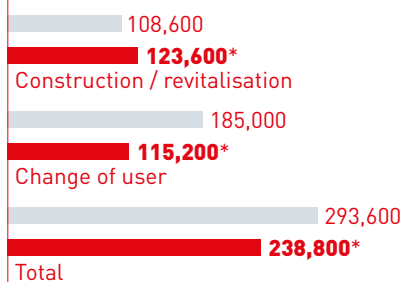
great uncertainties on the rental market, and so the speculative development of logistics properties will decline again in the coming years. At the same time, it is worth considering the creation of reserve infrastructure and superstructures. These circumstances are creating new perspectives and considerations for the development of industrial space in Bremen.

Distribution of warehouse space in 2020* (in m²)



Take-up

in Bremen, 2019/2020 (in m²)



■ Leased space

▨ of which vacant

■ 2019

■ Forecast for 2020

*Forecast

STRUCTURE LOCATIONS PRICE LEVELS

EXTENSIVE REVITALISATION OF THE CITY CENTRE

Bremen remains a popular shopping destination that ensures long-term change through major retail projects

Bremen's retail sector is benefiting from the new travelling habits of German holidaymakers, who are spending more time by the North and Baltic Sea. At the same time, the corona crisis is posing major challenges for the city centre with shop closures and diminishing purchase power. However, a growing number of companies could be attracted to the local area due to the falling rental prices. Several major projects have already been planned or even launched, offering great opportunities for the sustainable revitalisation of the city centre.

→ Bremen has always been a popular shopping destination thanks to its nice city centre, historic attractions and wide range of retailers. This is illustrated rather convincingly by the number of visitors: In 2019, the city of Bremen recorded 2.4 million overnight stays in commercial accommodation – 9.9% more than in the previous year (source: Statistical Office of Bremen). In addition, the Hanseatic city

was visited by 40 million day trippers. The range of attractions in Bremen's city centre are not only enjoyed by 568,000 locals (as of 31 December 2019), but also people from all over north-west Germany and the Netherlands. Another reason for Bremen's popularity as a travel destination is its strong transport connections with local and distant places. While certain target groups in city tourism have disappeared

(especially from high-risk corona areas), new target groups have been attracted this year, such as tourists from the North and Baltic Sea who have combined their seaside holiday with a city trip. At the same time, Bremen is attracting more visitors thanks to the current shift towards city trips within Germany. However, it remains to be seen how the business trip segment will develop.

LOCATIONS

Premium fashion in big and small shops

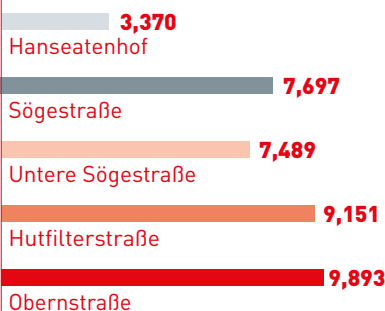
The main shopping area in the city centre stretches from the historic ramparts in the north, the Weser promenade in the south, the cathedral and town hall in the east, and Bürgermeister-Smidt-Straße in the west.

Bremen retail figures in 2020

Purchasing power index (retail).....	95.9
Revenue index	112.3
Centrality index	117.0
Retail purchasing power.....	3,741.5
(in millions of euros)	
Revenue (in millions of euros)....	3,792.0

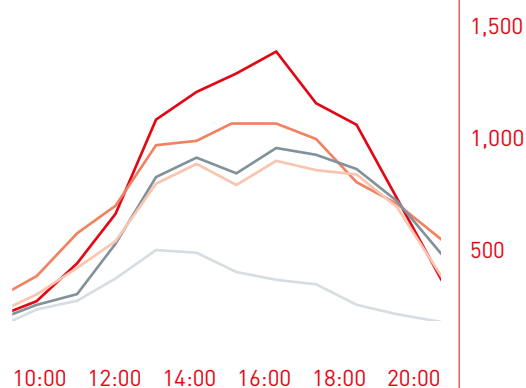
Footfall

Thursday, 9 July 2020



Footfall

Thursday, 9 July 2020



The city's major retail hubs are located along Sögestraße and Obernstraße / Hutfilterstraße with various shopping arcades.

The most popular places are Obernstraße and Hutfilterstraße. As the tram runs through those parts of the city, they are the starting point for many city trips. The locations are shaped by large shops, which add to the radiance of Bremen's city centre. Appelrath Cüpper upgraded the local fashion scene when it moved to the renovated Ansgari-Haus (previously Bremer Carrée) in autumn 2019, adding to the list of established brands like Peek & Cloppenburg, Anson's and H&M.

Sögestraße, which is divided into smaller shops, is just as attractive. Its

building structure has been developed over the years to create a pearl necklace of small shops, featuring high-class fashion from COS, Wormland and Wempe, as well as attractive offers from other retailers. With its nice restaurants and architecture, the shopping street is perfect for a stroll and an enjoyable visit.

Other prime locations also include the roofed arcades, which are a defining feature of Bremen's retail sector. The most popular arcade is the Lloyd-passage, which runs parallel to Obernstraße and brings together department stores from the Galeria-Karstadt Kaufhof Group. The shopping arcade will acquire a new character in the coming years when it starts to be used for new concepts.

STRUCTURE

Bremen is still a popular retail location

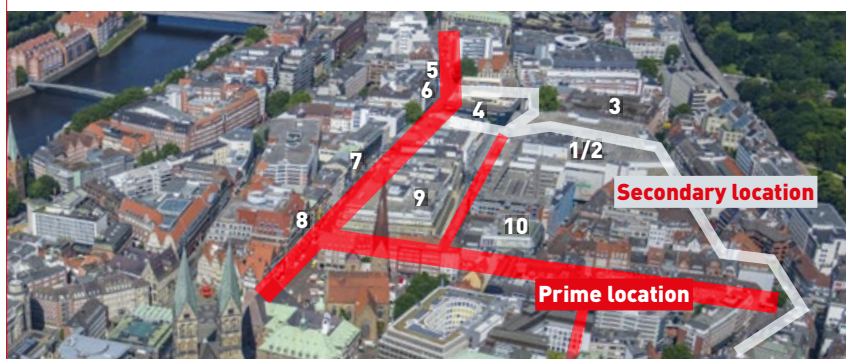
The effects of the corona pandemic and the steady development of online businesses will continue to pile the pressure on local shops in Bremen. The economy has long been undergoing a restructuring and cost optimisation process, especially in the clothing industry. When important tenants move out of their premises, it can sometimes be difficult to find a replacement.

Even before the corona crisis, there was a growing divide between the expectations of landlords and the sales forecasts of local retailers. This is compounded by the fact that the city centre will soon witness extensive changes through planned development projects, such as the City Gallery, Lebendiges Haus and BALGEQUARTIER. This could make some retailers reluctant to renew their leases. As in many other German city centres, a clear consolidation process can be felt in Bremen. In addition to the announced closure of a Galeria-Karstadt Kaufhof department store, various chains have left Bremen's city centre in recent years, although new concepts have also been added to the local landscape.

Indeed, some new lettings show how Bremen is still a popular retail location. Two new tenants have moved to the Ansgari-Haus since 2019: Appelrath Cüpper and "Spaces", a company that provides co-working spaces. The mixed-use property "City-Gate" opened at the Central Station

Retail locations in Bremen city centre

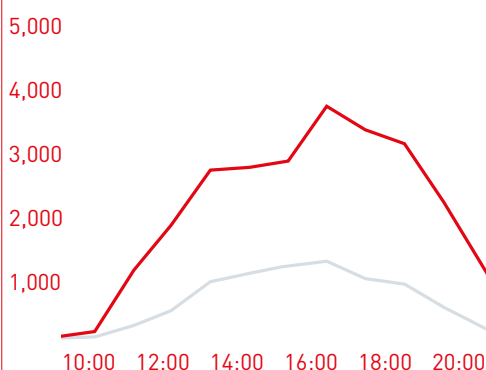
Large retail outlets in Bremen city centre



- | | | |
|--|------------------|-----------------------------------|
| 1/2 Galeria-Karstadt Kaufhof / Saturn | 5 Anson's | 8 Peek & Cloppenburg |
| 3 C&A | 6 ZARA | 9 Galeria Karstadt Kaufhof |
| 4 H&M | 7 Thalia | 10 Karstadt Sports |

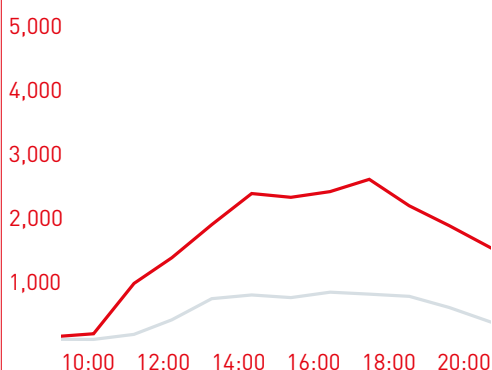
Footfall

Obernstraße



Footfall

Sögestraße



in 2019, featuring anchor tenants Rewe, dm and Woolworth.

There are also encouraging signs beyond the city centre, as Decathlon opened its first store in Bremen in the Waterfront shopping centre at the end of 2019. In addition, Kaufland has opened its second store in Bremen as part of the revitalisation of the Haven Hööv't shopping centre in Bremen-Vegesack.

Opportunities for urban redevelopment

Bremen's city centre is changing. A number of large retail projects are creating unique opportunities for urban redevelopment, some of which are already being planned or even carried out.

After purchasing a multi-storey car park in the city centre, Zech Bau SE (co-owner of the Karstadt building) is planning a development project around the LLOYD PAS-SAGE with the working title "City Gallery". In addition to the Karstadt property, the project may also involve the Galeria Kaufhof building. The developer is yet to announce concrete plans, but this will become more likely as Galeria Kaufhof is closed.

A large-scale renovation project is scheduled for the **Lloydhof** by Ansgarikirchhof. In spring 2020, building work got under way to convert the property into a new "Lebendiges Haus" ("Vibrant House"). The retailers and restaurants on the ground floor will revitalise the surrounding area, while the remaining floors will house offices, flats and apartments.

A new quarter is emerging around the Johann Jacobs Haus (the former headquarters of Jacobs Coffee); it is known as the **BALGE-QUARTIER** and also includes the Essighaus, Kontorhaus and Stadtwaage. According to plans drafted by the entrepreneur Dr Johann Jacobs, restaurants and retailers will breathe new life into the location and create a "Handrail to the Weser".

Shopping with flair or in XL

A wide range of retailers can be found just outside the city centre in the "Schnoor" district, which is very popular with tourists, and in the lively quarter in the neighbouring Ostertor / Steintor area. The unique selection of shops creates a casual and urban atmosphere with plenty of cultural attractions and restaurants. The shopping centres in the city districts have a completely different character: You can enjoy XL shopping experiences in accessible and roofed centres like the Waterfront and Weserpark, or check out specialist outlets like the Duckwitz shopping park.

Footfall: city centre is still a favourite

On two days a year, the number of passers-by are counted at prime locations in Bremen. On Thursday, 9 July 2020, the footfall was around 50% below the level recorded in the previous year. However, it rained throughout the recording day in 2020, which is a big difference to the summer's day in 2019. By contrast, footfall was

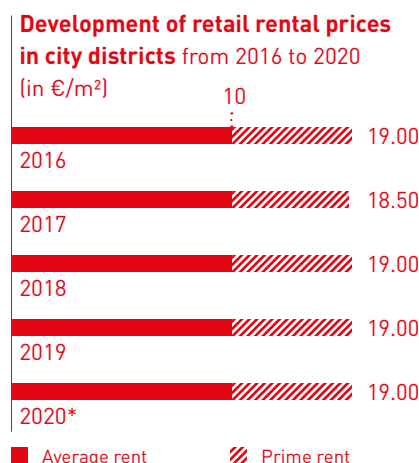
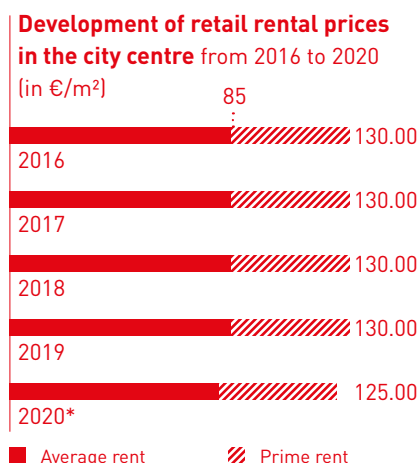
recorded in the finest shopping weather with pleasant temperatures on Saturday, 11 July 2020, when the figures reached around 90% of the levels measured in 2019. Considering the prominence of the corona pandemic, the surprisingly high figure underlines the popularity of Bremen's city centre. At the same time, it would appear to confirm the assumption that the city centre has managed to attract new target markets.

PRICE LEVELS

Retail in 2021: new tenants attracted by falling rental prices

Bremen's city centre is facing promising and profound changes in the coming years. It will be concerning to see fewer new tenants move to retail spaces in the city centre due to the corona pandemic, and the location will become less attractive following the closure of an important department store and the expected insolvency of other companies. Furthermore, there may be less purchasing power due to the macroeconomic situation. The prime rent level is therefore expected to fall. However, the adjustment of rents and terms will also create more space for new ideas and initiatives.

Bottom: ↓ CALIDA, City Centre Top: Black Plastic Bremen, Quarter



* Forecast



POPULATION DEVELOPMENT PRICE LEVELS FORECASTS

LIVING BY THE WATER IS THE PEOPLE'S FAVOURITE

The continued demand for residential properties is not being met – despite the rise in completed buildings

As city living is still a popular trend, Bremen continues to enjoy steady growth. This continued to put pressure on the housing market in 2019. Once again, purchase prices rose more than rental prices. The waterside locations in the city centre are still extremely popular. Purchase prices and rent levels might stagnate in 2021 due to the corona pandemic.



POPULATION DEVELOPMENT

Bremen has been growing steadily since 2011. Similar to the situation seen in other metropolitan areas in Germany, this is putting Bremen's housing market under price pressure. We are noticing a shift towards customisation. The growing number of single households is changing the need for living spaces: Not only is the population rising slightly; the number of

households will also continue to grow. City living is still a very popular trend. Coupled with low interest rates and high investment pressure, this is creating a great demand on the Bremen housing market.

The construction industry is reacting with more new buildings. More residential buildings are now being completed following the backlog of permits in recent years. Most of the new construction pro-

jects involve multi-storey apartment buildings (i.e. with at least three apartments), accounting for 75% of permits and 81% of completions in 2019.

FORECASTS

The building boom is likely to continue. Since there is growing demand from owner-occupiers and capital investors, the supply is becoming scarce; this has been pushing



Tabakquartier, Woltmershausen



BlauHaus, Überseestadt

up the purchase prices and rent levels in recent years.

Living on the waterfront is popular

Lots of people are drawn to the waterfront residential areas in the Überseestadt district and on the Stadtwerder peninsula. However, the traditional residential areas in Schwachhausen, Horn-Lehe and Oberneuland are still in high demand. The market is also being livened up by a range of ongoing housing projects, such as the Mühlenviertel in Horn-Lehe with around 340 residential units, Ellener Hof in Osterholz with approximately 500 flats and Schuppen 3 in the Überseestadt with around 500 flats. These areas are joined by the central Neues Hulsberg district with 1,000 residential units and Gartenstadt Werdersee with 600 residential units.

PRICE LEVELS

New buildings have become much more expensive

In 2019, the purchase prices for condominiums in modern construction projects rose again by an average of 5.3% compared to the previous year. The average price was 4,000 euros / m² and the top level was 5,100 euros / m² – but some properties were considerably more expensive. Purchase prices rose more than rental prices once again. One reason for this divergence is the persistently high investment pressure.

The prime rent for new buildings in Bremen was 14 euros/m² at the end of 2019, which was also the level recorded in the previous year. However, significantly higher rents were sometimes paid for the first occupancy. The average rent for new buildings was around 11.50 euros/m², which constitutes a slight increase of 2.7% compared to 2018. Between 2014 and 2019, the average rent levels rose by 22.7% and by 18.1% in the top segment.

During the same period, the purchase prices rose, on average, by 37.9% and by 27.5% at the top level. The prices for existing housing and re-lettings have undergone even more dynamic change in a five-year comparison. The purchase prices rose by an average of 50% to 2,400 euros/m² and by 45.6% to 4,150 euros/m² in the top segment. In 2019, re-lettings drew an average of 9.20 euros/m² and 12.30 euros/m² in the top segment.

As a multiplier for new apartment buildings, the factors 24 (at the peak) and 20.5 (on average) were achieved in 2019. That represents another increase.

Various forecast models predict a temporary stagnation in rent levels and purchase prices in 2021 due to the economic effects of the corona pandemic.



↑ Top: Hotel the niu Crusoe, Airport City

Bottom: WeserHöfe / Visualisation:
Justus Grosse Projektentwicklung GmbH

Development of prime rental prices (new builds) in Bremen (in € / m²)

	13.50
2015 (Ø 10.00)	
2016 (Ø 10.70)	13.80
2017 (Ø 11.00)	14.00
2018 (Ø 11.20)	14.00
2019 (Ø 11.50)	14.00
2020* (Ø 11.50)	14.00

Development of prime purchase prices (new builds) in Bremen (in € / m²)

	4,200
2015 (Ø 3,100)	
2016 (Ø 3,400)	4,450
2017 (Ø 3,500)	4,900
2018 (Ø 3,800)	4,900
2019 (Ø 4,000)	5,100
2020* (Ø 3,950)	5,000

* Forecast

TRANSACTION RETURN PRICE LEVELS

STRONG INVESTMENTS

Bremen's transaction market is still attracting lots of investments and could almost reach last year's record volume in 2020

The investment volume in 2019 was higher than forecasted (545 million euros). Most of the transactions were small and medium-sized investments in the city centre and peripheral areas. The largest single transaction was the sale of the Duckwitz shopping park in Neustadt. The investment market also made a promising start to 2020. Bremen remains highly attractive for investments in special funds.



TRANSACTION

The investment volume of 545 million euros in 2019 exceeded the forecast published in the last market report. This positive result was especially ensured in the first half of the year with two large transactions worth over 50 million euros each.

PRICE LEVELS

Small and medium-sized transactions remain important

Over 70% of all deals in 2019 – as in the previous year – were small or medium-sized transactions worth up to 25 million euros. The largest single transaction was the sale of the Duckwitz shopping park for an estimated 75 million euros.

The most popular asset class was the collective “miscellaneous” category, which accounted for 37% of investments – unlike the “office property” category from previous years. The other investment categories were relatively close together: office property (25%), retail property (20%), and logistics (18%). This highlights the volatility of Bremen's investment market, where large individual investments



Überseeinsel, Überseestadt

have a significant impact on the overall distribution of asset classes.

The investment categories were evenly balanced in 2019: 47% of investments were made in the peripheral areas, while around 53% were made in the delimited areas of the city centre, outskirts and office locations. Only the outskirts of the city have fallen significantly away with a share of only 0.6% of the total volume.

RETURN

Strong start – despite corona

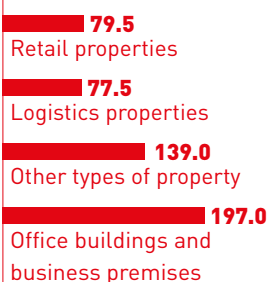
The 2020 investment year got off to an extremely promising start with a transaction volume of over 300 million euros, which was caused by a very strong first quarter. However, the local stakeholders have become much more cautious since the outbreak of the corona pandemic. As a result, the second half of the year will no longer be quite as strong as we have come to expect. Nevertheless, the investment volume for the entire year will probably approach the 500-million-euro mark. As special funds have not been overly affected by the pandemic so far, they will account for a large share of the transactions concluded throughout the year.

Waller Sand, Überseestadt



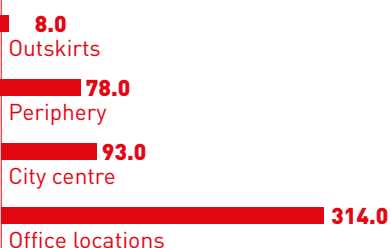
Transaction volumes by type of property

in 2020* (in millions of €)



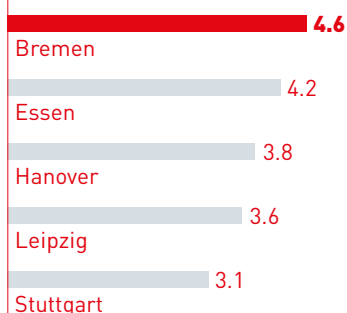
Transaction volumes by location

in 2020* (in millions of €)



Net returns (central locations)

on office properties by national comparison in 2020* (in %)



* Forecast



BlauHaus, Überseestadt



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