



BREMEN
JOIN THE FUTURE.

2017

BREMEN PROPERTY MARKET REPORT

OFFICES | LOGISTICS | RETAIL
HOUSING | INVESTMENT



Bremeninvest



Bremen Überseestadt

This year's property market report contains numerous records. They all verify Bremen's currently high and clearly growing appeal as a place for investors and project developers. Prices are moderate compared to the rest of Germany, with extremely low vacancy rates and highly promising market developments.

Record take-up figures on the office property market create a positive mood, exceeding the magic threshold of 100,000m² rented commercial space. Office property take-up will also continue to be around 100,000m² in 2017 as well. The Überseestadt clearly leads the field here with its large, modern new-builds. But this time round there has also been slight growth in the city centre. Although many new-builds were completed in 2016, they are still not sufficient to cover the high demand. This will result in more major construction activity during the next twelve months.

The results for the logistics market once again underline Bremen's key position in the national and international movement of goods. The total property portfolio has increased once more to nearly 2.8 millionm². Even so, remaining vacant spaces are getting scarce. Their availability will increasingly become a crucial competition factor for companies.

Retail development in Bremen city centre has been consistently positive, with new impetus coming from extending the pedestrian zone in the area of Knochenhauerstraße. There are already plans for more measures in this respect, with the aim of successfully asserting Bremen's role as the prime shopping metropolis in the North West.

As in all other conurbation areas, the price curve here in Bremen is increasing all the time. One reason for the tense situation is the high pressure to invest, which is



Photo: Björn Behrens

also reflected on the investment market for commercial property. For the third time in succession, this year too transactions have reached the record result of more than 400 million Euro.

All the details about the record achievements and above all about your chances on Bremen's property market can be found in this brochure. We look forward to meeting you and wish you every success in Bremen!

Andreas Heyer
CEO
WFB Wirtschaftsförderung Bremen GmbH
(Bremeninvest)



Alexander von Humboldt I ["Alex"], Schlachte, Bremen city centre

Visualisation: Haslob Kruse + Partner Architekten BDA



New-build office and business building
Hansakontor, Überseestadt



BUKH, Bremen Industrial Park



WEGGLE waffles, Bremen city centre

MARKET FOR OFFICE PROPERTY 2017*

TAKE-UP | CONSTRUCTION ACTIVITY | PRICE LEVELS 6-11

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Sources: *bulwiengesa AG; ** LSA Logistik Service Agentur GmbH



MARKET FOR OFFICE PROPERTY 2017

TAKE-UP
CONSTRUCTION ACTIVITY
PRICE LEVELS

THE VACANCY RATE OF

3.0 %

IS ON THE LOWEST LEVEL
FOR MORE THAN 10 YEARS

TAKE-UP TOPS THE 100,000 m² MARK

During the first six months of 2016, the take-up of office space in Bremen reached 43,800m² and 58,000m² in the second half of the year. The overall result of 101,800m² was thus well above the annual average of 84,000m² for the period 2011 to 2015.

Take-up by owner-occupiers was on the insignificant side with just 9% once again in 2016. The greatest take-up here refers to 4,200m² of office space in the Überseestadt.

Good start to 2017

Office take-up during the first six months of 2017 amounted to 50,700m², thus continuing on a far higher level than in previous years. By comparison, office take-up during the first six months of the years 2014 to 2016 was only between 38,000 and 44,000m². The current figures even exceed the mean office take-up of 49,500m² resulting from the first six months of the last five years. The largest contributing factor here is the owner-occupied company headquarters of Kühne & Nagel with 9,500m². It therefore looks possible for the overall annual take-up to reach around 100,000m² by the end of the year.

Spaces of 1,000m² to 5,000m² shaped the market in 2016

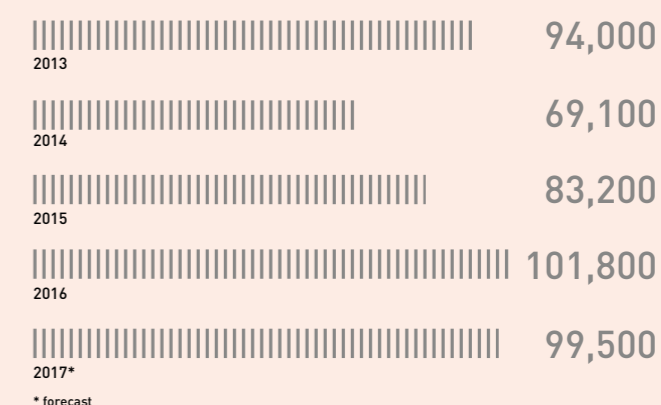
38.3% of take-up in 2016 consisted of spaces between 1,000 and 5,000m². This market segment saw greater take-up than in 2015, amounting to approx. 39,000m². This is the highest value to be registered since 2007. On the other hand, there was less demand for larger spaces exceeding 5,000m². Only two deals were concluded in this segment in 2016 with altogether 12,700m² (12.5% of total take-up), one more than in 2015. Smaller spaces of up to 1,000m² accounted for nearly half of take-up (49.2%). The segments up to 500m² (25%) and from 500 to 1,000m² (24.2%) were almost equally weighted. Measured by the number of concluded deals, spaces smaller than 500m² dominated here again (75%) as in 2015. This shows just how significant the small space segment is on Bremen's office market.

First six months 2017 defined by small and very large spaces

The Kühne & Nagel new-build and another owner-occupier project resulted in office take-up of more than 15,000m² in the segment over 5,000m² already in the first six months of 2017. Market activity is being defined by these two deals, together with the category for small

spaces up to 500m². Both segments each account for a share of 31% in total take-up. On the other hand, office take-up for spaces between 1,000m² and 5,000m² is less significant than in previous years. It remains to be seen whether this trend will continue.

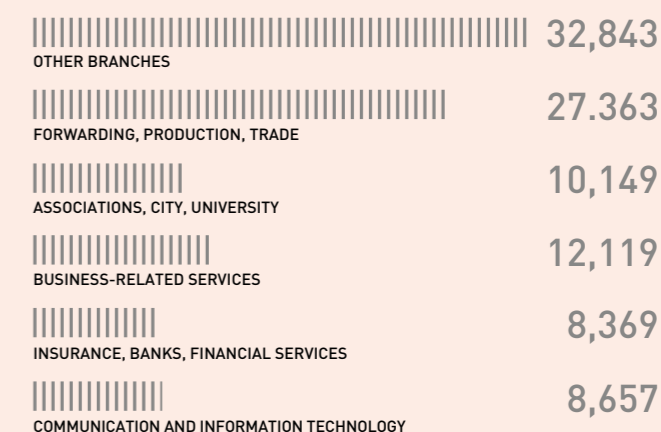
Office space lettings in Bremen 2013 to 2017 in m²



Lettings in a city comparison 2017 in m²



Branch structure of office lettings 2017 in m²



* all details for office space in m² = m² rented commercial space

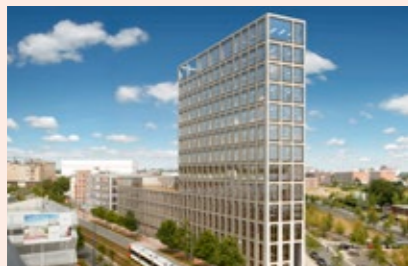
OFFICE PROPERTY TAKE-UP
ONCE AGAIN REACHES AROUND

100,000 m²

The Imaging Source Europe,
Überseestadt



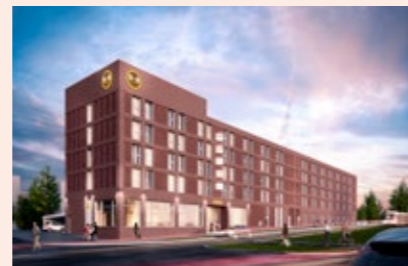
Bremische Volksbank, city centre



Bömers Spitze, Überseestadt



ALDI, Technology Park



Hotel, housing and office complex of the BAUM Group, Überseestadt

Visualisation: Justus Grosse
Projektentwicklung

Visualisation:
BAUM Unternehmensgruppe

Überseestadt with the highest office take-up

In 2016, the Überseestadt accounted for the largest share of total take-up with 30,000m² (29.5%). In the previous year, Bremen's outskirts had still been in this position but now accounted for only 19,500m² which was nearly 2,000m² less take-up than in 2015. This means that the city centre with 20,300m² also generated more take-up than the outskirts, together with the Technology Park and the university setting with 20,000m². The area around Airport-Stadt/ airport and the city fringes reduced their share of take-up by more than half compared to 2015, with 4.9% respectively 6.9%.

This development has continued in the first six months of 2017. The Überseestadt with 18,250m² and the city centre with 16,100m² accounted for more than three quarters of total take-up, while up to now the lowest take-up has been registered in Airport-Stadt and particularly the city fringes.

Take-up still driven by forwarding, production and trade

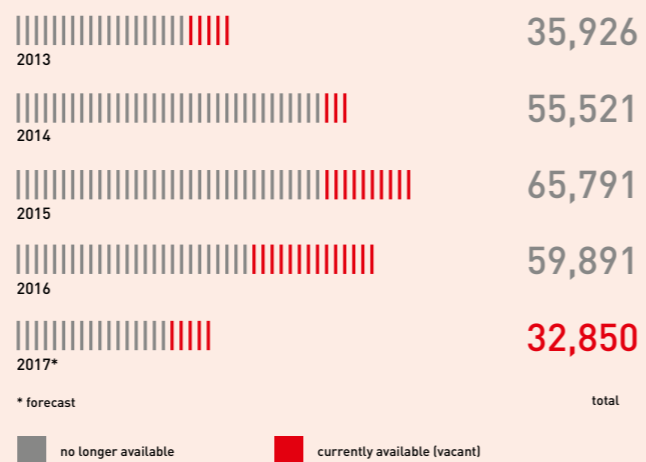
The forwarding, production and trade sector had the largest share of office take-up in 2016 with 26.6%, followed by business-related and other services with 19.2% and 10.2%. In contrast to its leading position in 2014 and 2015, the public sector only accounted for 9.7% of total take-up in 2016. The picture is even clearer during the first six months of 2017, with forwarding, production, trade and post accounting for more than one third of total office take-up with around 17,900m².

Completion figures doubled in 2016

52,200m² of office space were completed in 2016 in new-builds or conversion projects, with another 7,700m² being refurbished. The new-build volume is thus more than double the figure for the previous year. This has been influenced particularly by the completion of the new headquarters of Bremer Landesbank in the city centre, together with the "Eins" by H. Siedentopf GmbH in the Weser Quartier district of the Überseestadt, each with around 20,000m².

Far less new office space is completed in 2017, with around 24,350m² from new-builds and 8,500m² from

Development in construction activity 2013 to 2017 in m²



refurbishment projects. Presuming that all construction work is completed as planned, Bremen's office property portfolio will amount to around 3.63 millionm² by the end of the year. At the same time, projects that are currently in the planning stage give rise to expect the completion rate to increase again in the next few years.

Slight decrease in vacancy rate

The completion of lots of new office space saw an increase in vacant properties in 2016 to altogether 118,400m². However, the high take-up ensured that there was only a slight increase in the vacancy rate from 3.2% in the previous year to 3.3%. At the same time, the increase confirmed that (pre-)lettings and owner occupancy resulted in vacancies in other places where complete and prompt marketing is not going to be possible.

A decline in vacancies can be expected for 2017. The Überseestadt is once again the location with the fewest vacancies in this year. Take-up volume will continue to decrease them, despite brisk construction activity. The situation in the city centre which has the highest vacancies is rather different. Although recent deals will reduce the vacancy rate somewhat, the problem still persists: Historical building structures mean that many offices are small and no longer in keeping with the times, making them unable to compete with the quality of the new-builds in the Überseestadt. The lack of take-up deals on the city fringes means that it has still not been possible to reduce the vacancies here which persist on the level of 19,000m².

Altogether vacant office space in Bremen amounted to 110,300m² in the first six months of 2017, corresponding to a vacancy rate of 3.1%. This could fall to 3.0% by the end of the year.

Prime rents in the Überseestadt on the increase

It was above all the attractive new properties, but also the lack of suitable premises in Bremen city centre that caused a further increase in rent levels for the Überseestadt in 2016 to 12.80 Euro/m², with the highest rent in the city centre increasing to 12.70 Euro/m².

Although the high demand in 2017 will see rents in the city also reaching 12.80 Euro/m², it will still be the Überseestadt that accounts for Bremen's prime rents. The waterfront location benefits above all from completion and pre-letting of the new-builds. The prime rent will therefore probably increase to 13.00 Euro/m². Far higher rents are already being paid in certain properties.

Slight rental increases in the city centre; outskirts benefit from high demand

While rental prices will increase slightly in the city centre during 2017, they will probably stagnate at the city

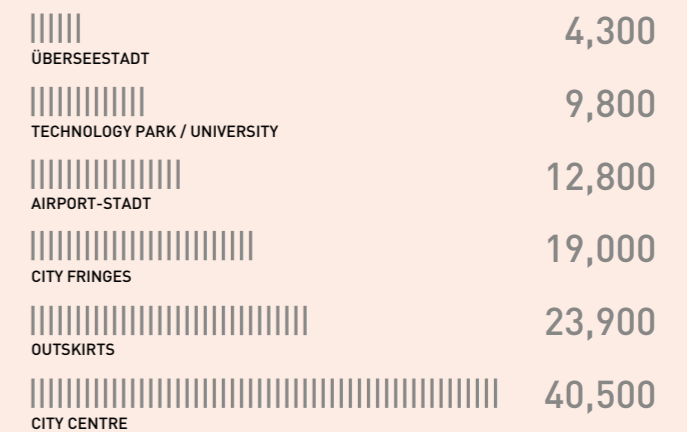
fringes. By contrast, the hitherto comparatively low rents in the outskirts will see a clear increase. These locations benefit from the lack of attractive property in the city centre and its fringes. Here the average rent is forecast to increase to 7.00 Euro/m² with a prime rent of 8.50 Euro/m², corresponding to an increase of 0.30 Euro/m².

At the city fringes, the level remains at 7.80 Euro/m² on average with a prime rent of 9.50 Euro/m². The average rent for office space in the city centre will probably increase by 0.10 Euro/m² to 8.60 Euro/m².

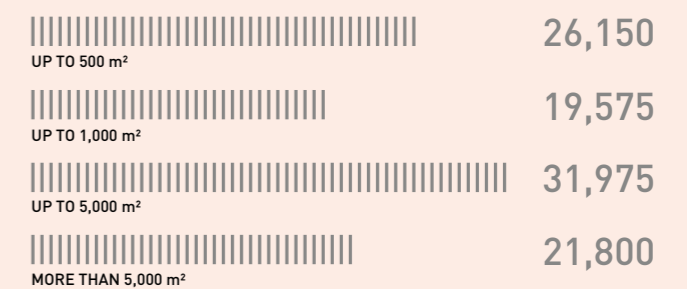
Vacancies in Bremen in a national comparison 2017 in m²



Distribution of vacant office space in Bremen's office locations 2017 in m²



Size categories of lettings 2017 in m²



MARKET FOR LOGISTICS PROPERTY 2017

TAKE-UP
COMMERCIAL ESTATES
PRICE LEVELS

DISTRIBUTION UNIT PORTFOLIO
INCREASES SLIGHTLY TO

2.8 MIO. m²

INTERFACE IN THE INTERNATIONAL FLOW OF GOODS

Bremen is a logistics hotspot at the heart of Europe. The city's exposed position on the river Weser near to the North Sea and its highly efficient infrastructure offer ideal conditions for logistics-related companies operating on a global scale. The highly efficient container terminals in Bremerhaven generate huge quantities of goods every day, most of which come to Bremen for handling and processing. And the flow of goods arriving in the ports of Hamburg and Wilhelmshaven often end up travelling via Bremen to their national and international destinations.

In Bremen it is above all the people that matter: while plans to attract the logistics sector to other places are frequently rejected by the local population, there is generally a very high level of acceptance in Bremen. One reason for this is way the branch dominates the local economy. Altogether around 115,000 gainfully employed workers in the Metropolitan Region Bremen/Oldenburg are to be found in the logistics companies and their suppliers. Manpower quality is becoming an increasingly significant location factor.

Distribution unit portfolio increases to about 2.8 million m²

During the period under review 2017, the portfolio of distribution units in Bremen has increased to 2.799 million m². This refers to 228 premises just in Bremen city. Here there is a fundamental difference for example to what are known as the "big 5 conurbations". In contrast to Bremen, they also include property in the surrounding regions in addition to the city areas.

Presuming that around 50% of logistics property in the Metropolitan Region Bremen/Oldenburg is concentrated in Bremen with about 2.8 million m², this reveals the substantial nature of the market compared to logistics properties in the Hamburg region for example with a portfolio of somewhat more than 4.0 million m². Last year alone, operations began in logistics premises in the direct surroundings of Bremen amounting to total space of 140,000 m².

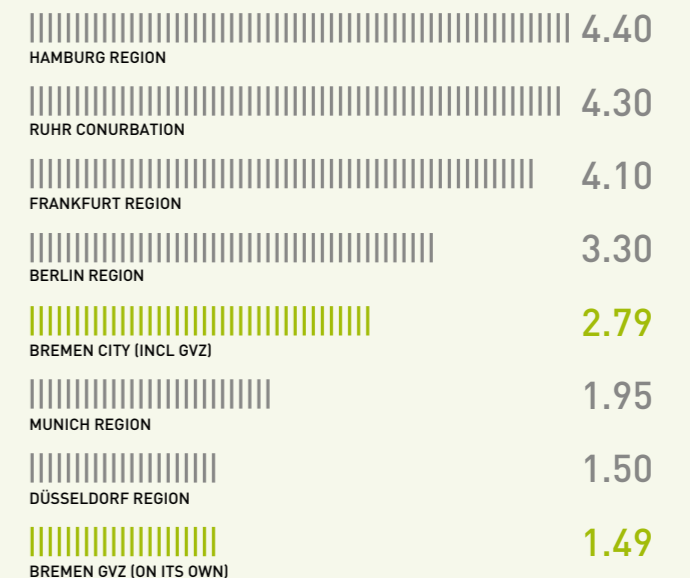
The portfolio that interests investors amounts to more than 1.7 million m² in Bremen. These properties are at least 8,000 m² in size with a clear interior height of at least 6.5 metres and were built since 1985. Experts estimate that such "investor-relevant" premises account for 15% of the total German logistics property portfolio. In Bremen, this share is four times as high at 60%. Here again, this underlines the appeal and modernity of the location for investors.

Persistently low vacancy rate as basis for investment

The statistics reveal a take-up of 152,800 m² for the period under review in 2017 (last year: 253,560 m²). New user contracts were concluded for 18 properties (last year: 20), seven of which (last year: 12) are 10,000 m² and more in size.

The vacancy rate has seen another sharp drop to 0.71% (last year: 1.14%). Only 20,000 m² can be put to immediate use for logistics activities (last year: 30,500 m²). In other words, there is an extreme shortage of available properties for letting. However, the current logistics report only features those vacant properties that are actually on the market for sale or re-letting.

Distribution unit space in a national comparison for 2017 in million m²



VACANCY RATE FALLS TO A RECORD LOW OF

0.71 %

TST Trans Service Team, Bremen Industrial Park



Marinetech, Bremer Wollkämmerei industrial estate (BWK)



Developing the second stage of Hansalinie industrial estate

Price level almost unchanged

The average rent for logistics property in Bremen has increased just slightly to 3.24 Euro/m² (last year: 3.21 Euro/m²) and it thus almost stable. Top quality properties currently reach monthly rents of 4.00 Euro/m² (net rent) and more. Rents of 2 – 3 Euro/m² and less apply to around 60% of the existing properties.

By comparison, rents for logistics property in Hamburg vary for example between 4.50 and 5.60 Euro/m², while prime rents in Munich even reach 9.50 Euro/m² per month. This is an indication of the increasing shortage of space and corresponding growth in land prices in the conurbation areas.

The comparatively low level of rent in Bremen on the other hand results from the still extremely moderate land costs here: at 45 Euro/m² on average, they are for example about 50% less than the corresponding values in Hamburg.

Bremen Cargo Distribution Center (GVZ) as role model for logistics in Europe

Bremen has five logistics centres (GVZ – Cargo Distribution Center, Hansalinie industrial estate, Bremer Kreuz, Überseestadt (New Harbour District) and Industriehafen) that act as logistics interfaces in the network of the regional centres Muenster/Osnabrück, Hanover and Hamburg. They thus enable e.g. trading companies to make deliveries not just in Bremen but throughout the whole of the North West, practically from every commercial estate. Manufacturers can make their products in close vicinity to their customers. And the ports are also within easy reach.

The smoother operations run in the logistics centre, the more effective the flow of goods, the flow of information and therefore also the cash flow in the many different sectors of the economy. Here the Cargo Distribution Center in particular is a role model in every possible way, as verified by the successful performance figures currently available for 2017:

- more than 30% of logistics take-up in Bremen is generated in the Cargo Distribution Center.
- 53% of Bremen's logistics properties can be found in the Cargo Distribution Center with 1.5 million m².
- 40% of the distribution units in the Cargo Distribution Center are designed as standard concepts, thus complying with the demands made by most project developers and investors.

Visible signs of development work for additional logistics areas and plots of land verify the planned growth and future prospects for the Cargo Distribution Center. Its reliable traffic infrastructure is turning into a symbiosis for different modes of transport, with the direct link road to the A281 motorway, the efficient connection to Europe's railway network, direct connection to inland navigation and ocean-going shipping routes and easy access to air traffic. The local logistics companies are the main motors driving this positive development. There are only very few vacancies.

Production logistics for the automotive industry: Hemelingen port, Hansalinie and Bremer Kreuz

Bremen's Hansalinie industrial estate is the central component in the ongoing development of the city as a place for the automotive industry, supplemented by the logistics properties at Hemelingen port and at Bremer Kreuz (motorway intersection).

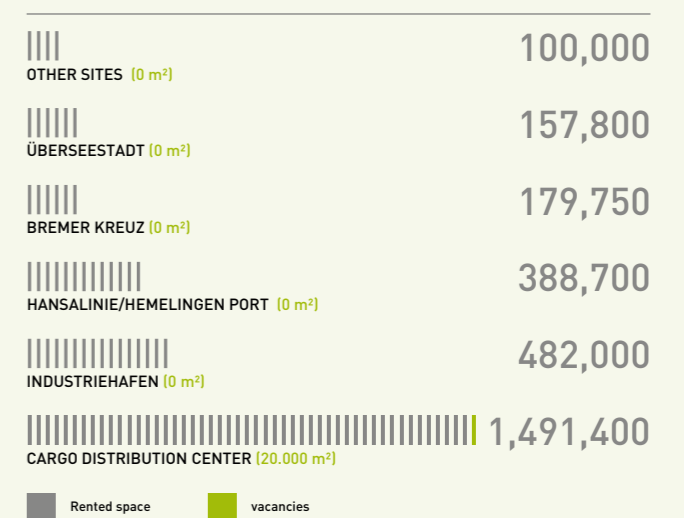
Here many logistics processes are generated by Mercedes Benz and its Bremen plant. Numerous companies have settled in the vicinity to simplify cooperation and improve logistics processes. Another important factor for companies to settle in Hansalinie industrial estate is the completed six-lane upgrade of the A1 motorway up to Hamburg, which is the central traffic artery in North Germany.

Outlook for 2018: availability as crucial competitive factor

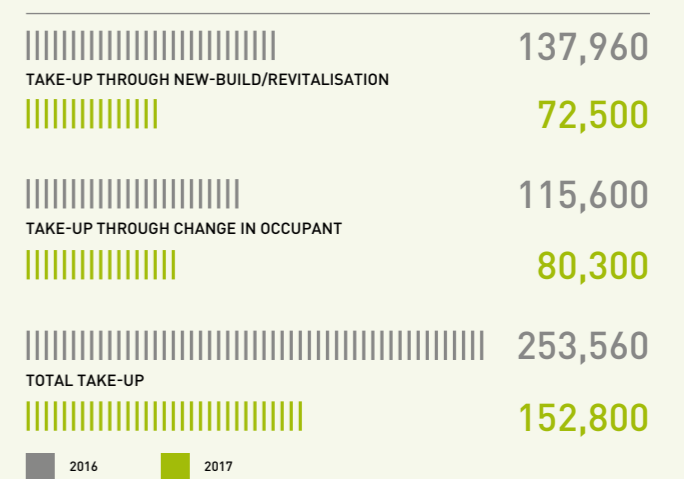
More than one million square metres of new distribution units have emerged in Bremen in the last ten years. This figure illustrates a dynamic development that is right in line with market trends. At the same time, work is forging ahead with the development of new areas to serve the great demand and to remain competitive.

In the next few years, the Cargo Distribution Center will make the most of its development possibilities. New areas will also be developed in the Hansalinie industrial estate. Furthermore, it can be presumed that property amounting to more than 500,000m² could be revitalised in an extremely attractive location near to the port.

Distribution of unit space 2017 in m²



Take-up in Bremen 2016/2017 in m²



**BREMEN AS RETAIL
LOCATION 2017**
STRUCTURE
LOCATIONS
PRICE LEVELS



THE PURCHASING POWER
INDEX STAYS ON LAST YEAR'S
GOOD LEVEL AT

98.1

UPBEAT MOOD AND IMPETUS

The city of Bremen has an impressive catchment area with its population of half a million people, and just as many living in the surrounding areas. The retail demand amounts to more than 3.8 billion Euro. The Hanseatic City of Bremen is also an increasingly popular tourist destination, as verified by the constant growth in overnight stays. The UNESCO world cultural heritage site with the Town Hall and the Roland statue, accompanied by the Town Musicians, brings countless visitors from Germany and abroad to Bremen city centre every year. Surrounding retailers benefit from the additional demand. Bremen therefore offers really good general conditions as a retail location, for both retailers and customers alike.

New impetus at the heart of the city

Bremen city centre is home to more than 700 retail businesses, more than 200 catering establishments and well over 50 cultural facilities. They all offer an attractive, highly varied shopping and leisure experience to both residents and visitors. While other cities are still talking about the possibility of public Wi-Fi access or only provide this amenity to a partial extent, in Bremen things have already moved onto the next level. Customers, shoppers and passers-by find themselves in a free Wi-Fi-network on all the main shopping streets between the central railway station and the city centre and also in the "Viertel" district.

New ideas were and are being constantly implemented to continue the city centre's successful development. For example, part of Knochenhauerstraße has been turned into a pedestrian zone for a period of twelve months. Vegetation has also been added to make it more attractive. Through to mid 2018, the Citylab project for intermediate use of the city centre offers start-ups and new shop concepts an opportunity to put their ideas to the test in the city centre.

Retail KPIs for Bremen 2017

Purchasing power index (retail-relevant)	98.1
Turnover ratio	115.8
Centrality rating	118.1
Retail-relevant purchasing power (in Mio. Euro)	3,637.1
Turnover (in Mio. Euro)	3,810.6

Since mid 2017, WEGGLE has also been offering a new wafer concept in a prime city-centre location. The opening of Markthalle Acht and the Manufactum brot&butter concept has also put the Domshof increasingly in the focus of attention. Initial concept plans for an upgrade are available. In future, the whole area between Wall, Bischofsnadel and Kirchhof Unser Lieben Frauen shall benefit from the measures.

Prime locations with strong character

Bremen's prime city centre area is relatively compact compared to the size of the city in general. But every street has its own character. Smaller to medium-sized shops can be found on Sögestraße with its historical buildings. Since 2017, Mister Spex has an eyewear store here, and the textile brand Brax is also on this street. Premises formerly used by Marc O'Polo at the start of Sögestraße have been re-let: a premium-segment textile chain store from Sweden will be using this outstanding corner location in future.



Major stores in Bremen city centre

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

RETAIL TURNOVER INCREASES
AGAIN SLIGHTLY TO
3,811 MIO. €



Marthalle Acht, city centre



Craft Bier Bar, city centre



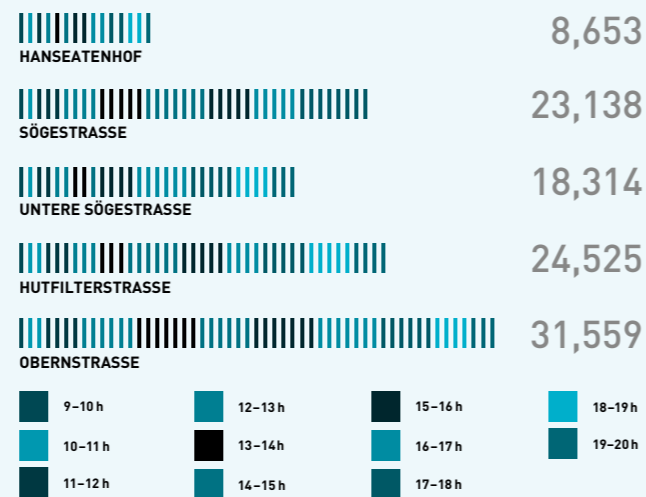
Mister Spex, city centre

Obernstraße on the other hand is the place to go for the big stores. The big names to be found here include textile stores such as Peek & Cloppenburg and Anson's or H&M and Zara. Premises formerly used by Bonita were taken over by the CKTs catering concept and reopened in June after extensive conversion work. Compared to its former style, the fast food chain now has a much more up-market approach in Bremen and could act as role model for other city centres. Obernstraße extends into Hutfilterstraße with similar pedestrian footfall ratings. Following successful conclusion of the conversion work, the CCC shoes & bags store will be opening its first premises in Bremen here.

The prime locations also include Lloydpassage, the Katharinenpassage and the Domshofpassage. The range offered by Lloydpassage is defined primarily by the Karstadt and Galeria Kaufhof department stores, with smaller shops in between to add diversity. All three malls are under cover for relaxed shopping despite the North German weather.

Bremen has a limited number of shop units in prime locations. Vacancies are an exception and usually only the result of conversion plans. Bremen's retail market therefore often appears to be less dynamic, but its stability makes it convincing in the long term. In addition to the new letting deals mentioned above, other recent examples also include Bolia in Ansgaritorstraße, Marc Cain and the premium multi-label concept Henne in Katha-

Pedestrian footfall rates (Saturday 10 June 2017)

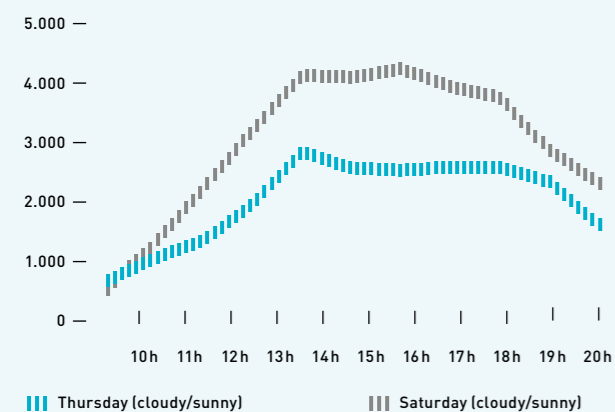


rinenstrasse. Le Creuset in Böttcherstraße also deserves a mention in this context.

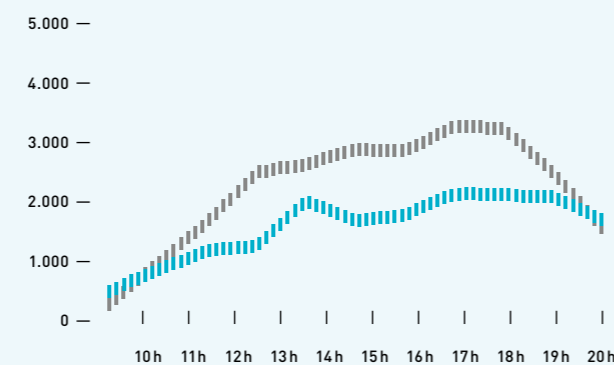
Increasing significance of the catering sector

The same applies in Bremen as in most city centres throughout Germany: the range of catering available plays a crucial role in how long people stay around and how pleasant this is for them. The significance of this sector for Bremen's appeal is constantly on the increase. In addition to the already mentioned new tenants CKTs and brot&butter together with the sophisticated food location Markthalle Acht, a second dean&david store is also supplementing the range of catering on offer.

Pedestrian footfall rates Bremen city centre: Obernstraße



Pedestrian footfall rates Bremen city centre: Sögestrasse



Recent years have also seen clear growth in the range of catering facilities provided in other city centre locations, not just in the traditional places on Pieperstraße and Papenstraße. Visitors to Knochenhauerstraße for example will enjoy the burger concept at Biggies B or the newly opened Anton's. It remains to be seen whether these developments in the sector will be driven by the temporary pedestrian zone that has been set up here.

The 2017 pedestrian footfall survey for the city centre differed greatly from one street to the next. While both Thursdays and Sundays brought more people to Obernstraße, in Sögestrasse this only applied on Saturdays. Altogether the figures remain on a good level. Bremen city centre certainly cannot be said to suffer from lacking sales potential because of a lack of pedestrians. Even so, it is quite clear that the retail sector is facing increasing competition from other leisure activities when it comes to people's time and attention. In this respect, a stable pedestrian footfall level in future can already be seen as a very good result.

Retail not just in the city centre

Needless to say that Bremen also has important retail locations outside the centre on account of its size. Various shopping centres and retail complexes ensure that the population in the suburbs and surrounding areas can purchase anything they need. One of the largest and most popular retail locations is e.g. the Waterfront Shopping Centre and the Weser Park. Duckwitz retail centre and shopping mall was even awarded the Retail Market Star 2016 following extensive refurbishment.

As far as the suburbs are concerned, the popular "Viertel" on Ostertorsteinweg deserves a special mention. As an attractive quarter not far from the city centre, it offers up-market quality and atmosphere with a mixture of culture, retail and catering which is appreciated by retailers and customers alike. About 300 shops invite customers to take a stroll, have a look and of course to actually buy something. The opening of a co-working space also underlines the appeal of the "Viertel" for creatives, freelancers and digital nomads.

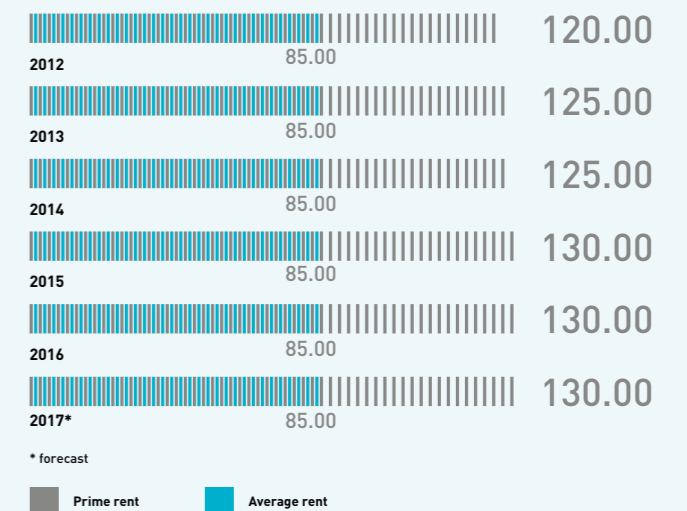
Look ahead to 2018

Work will continue in the years to come on the active further development of Bremen's retail sector. "Jacobshof" on Obernstraße will be a completely new building including the development of a whole quarter. The aim is to highlight specific qualities in the location while taking due account of the history of the Jacobs original company building. The architectural competition to design the facade for the Harms am Wall building has been concluded for this prominent city-centre location with up-market

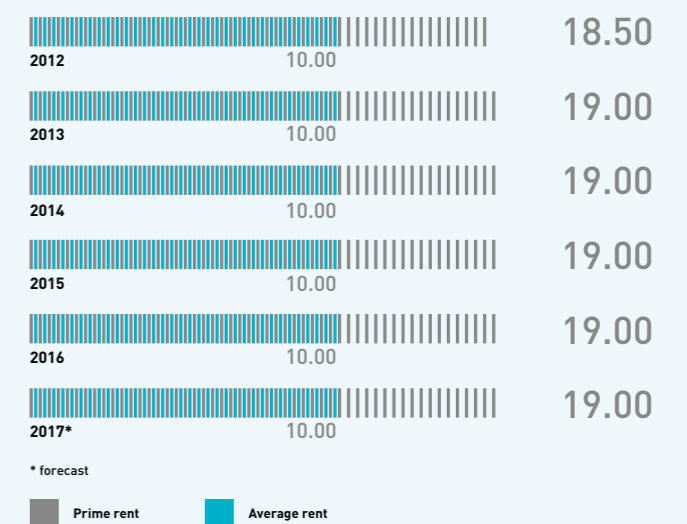
retail tenants. Work should begin in 2018 with demolition and construction of the new building, with completion scheduled for 2019.

Bremen's project developer Kurt Zech also has great plans for the city centre. He wants to use parts of the Karstadt building and neighbouring properties to develop new shopping malls in what is an absolutely prime location. Together with modern retail facilities, the aim here is also to create attractive circular paths. The invitation to tender for the Lloydhof is also nearly finished. Here the plans are for a revitalised business complex with a mixture of retail, catering, apartments and offices. Meanwhile, part of the Haven Höövt shopping centre in Bremen-Vegesack is being demolished and replaced by apartments. The arrival of Kaufland has given the district centre a new future anchor tenant.

Development of retail rents in the city centre €/m²



Development of retail rents in the suburbs €/m²



HOUSING MARKET 2017

DEMOGRAPHICS

PRICE LEVELS

FORECASTS

THE AVERAGE RENT FOR NEW APARTMENTS AMOUNTS TO

11.17 €/m²

Mühlenviertel, Horn-Lehe

HOUSING MARKET REMAINS TENSE

The excess demand levels on Bremen's housing market result from net migration and declining household sizes. There are positive developments in Bremen in terms of new construction activity, with a focus on apartment blocks and condominiums.

Together with the popular residential areas of Schwachhausen, Horn-Lehe or Oberneuland, it is above all the new city residential complexes in Überseestadt and Stadtwerder that are most popular. Major housing projects are putting new life into the market, such as Mühlenviertel in Horn-Lehe, where 340 housing units are currently under construction. This will soon be joined by the Neue Hulsberg-Viertel with 1,000 planned housing units. Provision is also being made for more subsidised housing, with GEWOBA being particularly active here.



Affordable housing on Marcuskaje, Überseestadt

Further increase in purchase prices

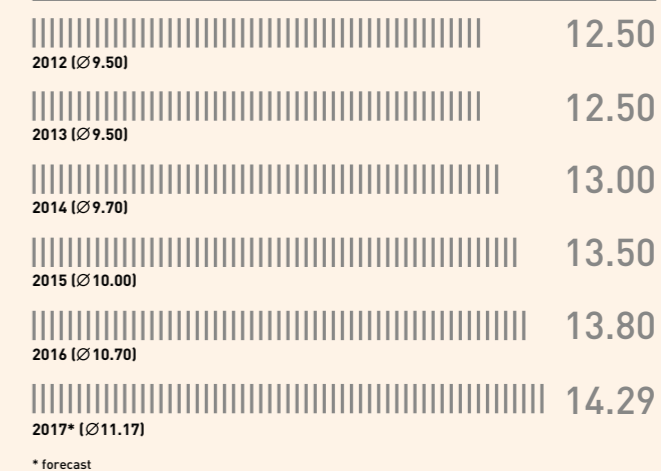
The high demand from owner-occupiers and capital investors is still causing shortages on the housing market, with a corresponding constant increase in prices. 2016 saw higher than anticipated increases in the purchase prices for condominiums in new-builds, a trend which continues in 2017: at the moment, top prices are being paid in excess of 4,650 Euro/m² with an average of more than 3,550 Euro/m². This corresponds to a further increase of about 5% in each case compared to the previous year.

Rents continue to increase at a slower pace

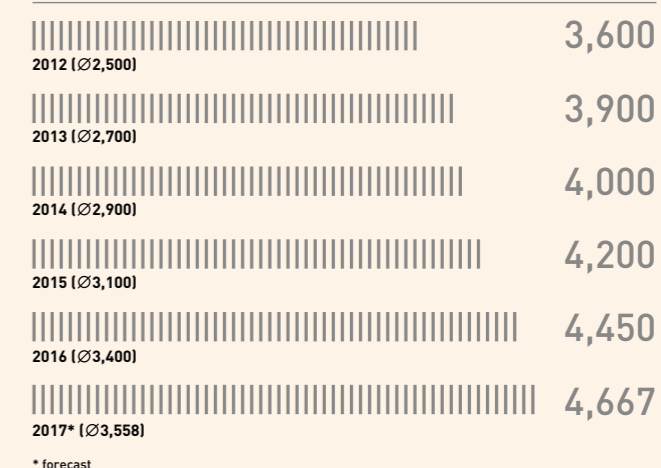
A review of the last five years shows a gradual divergence in the development of purchase prices and rents. Although rents also increased more than expected in 2016, this was not as sharp as the increase in purchase prices. The trend will also continue in 2017 due to persistently high investment pressure. Prime rents of 14.29 Euro/m² are currently 3.6% higher than in 2016. The average rent in a new-build is 11.17 Euro/m², which is 4.4% more than last year. Compared to the rental level for 2013, new-build rents have thus increased by 14.3% for prime rents and by 17.5% on average. During the same period, purchase prices increased by 20% for top prices and 32% on average.

In 2017, multiplier factors of 21.6 for top rates and 15.85 on average will be reached for new-build multi-family dwellings, causing further price increases and serving to underline the situation on the transaction market.

Development in prime rents (new-build) in Bremen in €/m²



Development in top purchase prices (new-build) in Bremen in €/m²



INVESTMENT MARKET REPORT 2017

TRANSACTIONS YIELDS PRICE LEVELS

THE NET INITIAL YIELD OF

5.2%

FOR CENTRAL OFFICE
BUILDINGS SHOWS BREMEN'S
APPEAL AS SOMEWHERE
TO INVEST

Hafenkante, Überseestadt

TRANSACTIONS CONTINUE ON RECORD LEVEL

Last year's result exceeded

Measured by the totals achieved in the previous year, the 2016 transaction market for commercial property in Bremen saw a reserved start. But it was the calm before the storm. The second six months of the year alone generated an investment volume of 315 million Euro, sufficing for annual investment of more than 400 million Euro for the second time in succession. The total of 433 million Euro even surpassed the previous year's results.

Less impact from major transactions

In 2015, the Waterfront Shopping Centre generated around half of all investments. By contrast, in 2016 only 13% of transactions exceeded a volume of more than 50 million Euro. The share of retail properties in total investment was far less with only just about 15%.

There was far greater activity in transactions with office property than in 2015. Here the share increased to 42% with a total of 182.5 million Euro, thus making the greatest contribution to the annual results. This was due among others to two major transactions in the fourth quarter: the sale of part of the Europa-Center office complex in Airport-Stadt and Speicher 1 in the Überseestadt.

The great interest in logistics and production property persisted unbroken in 2016. More than 100 million Euro were once more invested in this asset class. "Other" commercial property also saw signs of increasing popularity. Around 75 million Euro were invested in objects such as hotels or operator-run properties. This asset class poses a welcome alternative in view of the high investment pressure and trend among developers to keep new buildings in their own portfolio for the time being.

High transaction results for first six months in 2017

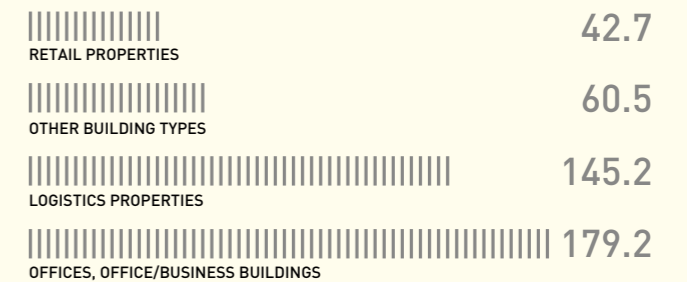
Investments of more than 250 million Euro were registered on Bremen property market for the first six months of 2017 alone. This is more than double the result for the same period of 2016. Here Bremen is benefiting from record investments in German portfolios of logistics properties. Similarly high investments in objects of this asset class are not expected for the second half of the year. Even so, it would appear possible that the transaction results for 2017 will exceed 400 million Euro for the third time in succession.



Photo: WFB/Christian Ring

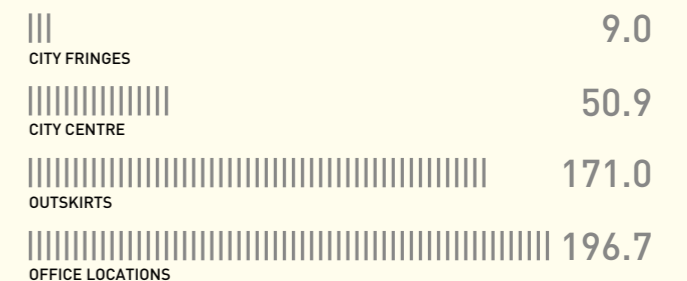
Airport-Stadt

Transaction volumes per building type in 2017* in Mio. €



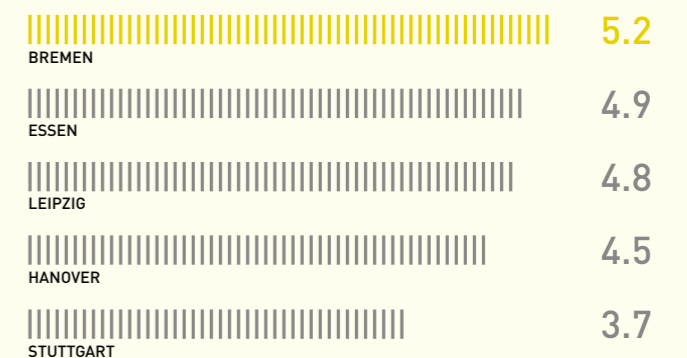
* forecast

Transaction volumes per location in 2017* in Mio. €



* forecast

National comparison of net initial yields for office properties in 2017* as a %



* forecast

2017

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