

CORPUS SIREO

REAL ESTATE

Member of Swiss Life Asset Managers

GERMANY 21: REGIONAL OFFICE INDEX

Asking rents in German Key Regional Cities

11th Edition – Focal City Münster

Status: 9/2016

Focus on
East Westphalia



THE REAL ESTATE PEOPLE®



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REGIONAL OFFICE MARKETS GROWING IN IMPORTANCE

Dear Reader,

The German office market in the first half of 2016 was largely unaffected by the Brexit discussion and other geopolitical factors:

- The transaction volume of around €7.5 billion was down around 20 percent on the same period of the previous year. This was quite simply due to a shortage of products, particularly in sought-after central locations. At the same time, investor demand and competition increased, leading to a corresponding reduction in initial yields.
- Thanks to the strong economic and employment situation, take-up in the top 7 markets was higher than one year previously. A shortage of space, particularly in central locations, put upward pressure on rents.

The shortage of products in central areas of the top 7 markets is driving investors to B-locations and regional markets – both places where competition is less intense and initial yields are higher. This is reason enough to analyse office market trends in regional centres.

The regional office index reflects the development of asking rents in regional markets. The index shows stabilisation at a high level in the first half of 2016. This is the eleventh time that CORPUS SIREO is presenting the regional office index in conjunction with the research institute empirica. The regional focus of this edition lies on the region of Westphalia, with an analysis of Münster as the focal city accompanied by a look at the office markets of Bielefeld, Osnabrück and Paderborn.

We hope you will enjoy reading this publication.

Ralph Scherer and Björn Pfaffner

REGIONAL CENTRES AS THE CORE OF GROWTH REGIONS

Sound economic fundamentals translate into good development opportunities for regional office markets

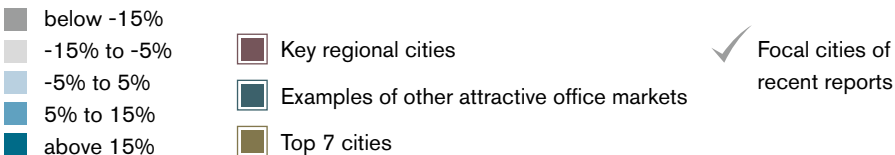
The 14 cities examined by CORPUS SIREO and empirica in “Germany 21: Regional Office Index” are characterised by growing office employment and stable demand for office space. These key regional cities were selected on the basis of the following criteria:

- absolute size of the office market
- importance of office employment for the regional economy
- excellent historical and promising future demand trends

In addition to these regional centres, there are further locations with positive growth trends that are not included in the Regional Office Index on account of their comparatively small size.

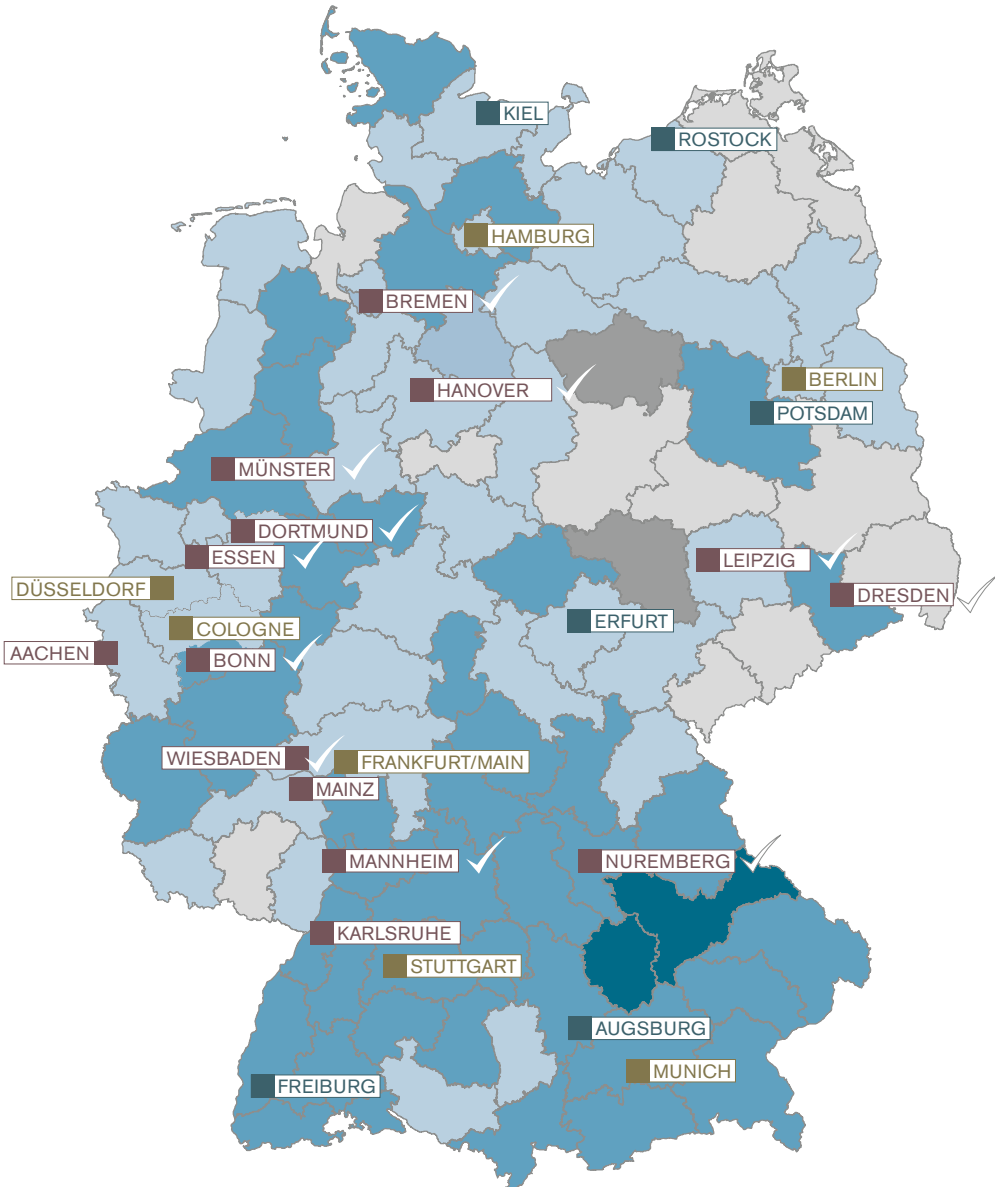
The office markets of Bielefeld, Osnabrück and Paderborn, which are presented in this study, are therefore viewed separately in order to enable a more precise analysis of the East Westphalia region.

Change in office employment 2007–2025 in %



SELECTION OF THE REGIONAL CITIES

Growth in office employment 2007–2025



STAGNATING OFFICE TAKE-UP IN THE REGIONAL CITIES

Münster leading the way in terms of take-up

Interpretation of the available key market data based on the example of Münster: At 2.7 million square metres, Münster is one of the smaller regional markets. After amounting to 93,000 square metres in 2015, take-up is likely to decrease in the current year. Münster has a medium price level, with prime rents of €14.10/sqm. The vacancy rate of 2.2 percent is the lowest among the 14 cities included in the index and is expected to decline further over a year's time.

Key figures for 2015

City	Trend (YoY change)	Office stock (GLA, in million sqm)
Prime rent	→ stable	€/sqm/month
Yield	↗ rising	Net initial yield (prime properties, in %)
Take-up	↘ declining	Net absorption (in thousand sqm)
Vacancy		Vacancy rate (in %)

Aachen		1.8
Prime rent	↗	14.00
Yield	↘	5.4
Take-up	↗	18
Vacancy	↘	2.4

Bonn		4.0
Prime rent	→	16.70
Yield	↗	4.9
Take-up	↗	69
Vacancy	↘	3.4

(Focal city, 2nd edition)

Bremen		3.2
Prime rent	→	12.50
Yield	→	5.6
Take-up	↗	54
Vacancy	↗	4.5

(Focal city, 6th edition)

Dortmund		3.3
Prime rent	→	13.50
Yield	↗	5.3
Take-up	→	97
Vacancy	↘	5.9

(Focal city, 5th edition)

Dresden		3.3
Prime rent	↗	12.30
Yield	→	5.4
Take-up	↗	85
Vacancy	↘	8.6

(Focal city, 8th edition)

Leipzig		3.4
Prime rent	↗	12.90
Yield	→	5.2
Take-up	→	100
Vacancy	↘	12.6

(Focal city, 4th edition)

Nuremberg		4.5
Prime rent	→	13.50
Yield	→	5.0
Take-up	→	60
Vacancy	↘	8.0

(Focal city, 1st edition)

Essen		3.7
Prime rent	→	14.00
Yield	→	5.3
Take-up	↘	140
Vacancy	→	5.0

(Focal city, 10th edition)

Mainz		2.0
Prime rent	→	12.60
Yield	↘	5.6
Take-up	↗	18
Vacancy	→	5.7

Wiesbaden		2.8
Prime rent	↘	14.30
Yield	↗	5.3
Take-up	↗	53
Vacancy	↘	5.7

(Focal city, 7th edition)

Hanover		5.6
Prime rent	→	14.30
Yield	→	5.2
Take-up	→	126
Vacancy	→	5.0

(Focal city, 3rd edition)

Mannheim		2.5
Prime rent	↘	15.00
Yield	→	5.4
Take-up	↗	56
Vacancy	↗	5.2

(Focal city, 9th edition)

Karlsruhe		2.9
Prime rent	→	13.00
Yield	↘	5.5
Take-up	→	27
Vacancy	↘	3.8

Münster		2.7
Prime rent	→	14.10
Yield	↗	5.3
Take-up	↗	93
Vacancy	↗	2.2

(Focal city, 11th edition)

Source: empirica, BulwienGesa, Wirtschaftsförderung der Städte 2016

VACANCY RATE IN BERLIN FALLS TO MUNICH LEVELS

Highest rents still recorded in Frankfurt

Interpretation of the available key market data based on the example of Frankfurt: With prime rents of €35.50/sqm, the metropolis on the Main river enjoys the highest price level among the top 7 cities – and the trend is a stable one. Rising take-up is expected to mean that the vacancy rate on the Frankfurt office market continues to decline.

Key figures for 2015

City	Trend (YoY change)	Office stock (GLA, in million sqm)
Prime rent	→ stable	€/sqm/month
Yield	↗ rising	Net initial yield (prime properties, in %)
Take-up	↘ declining	Net absorption (in thousand sqm)
Vacancy		Vacancy rate (in %)

Berlin		23.6
Prime rent	→	24.00
Yield	→	4.1
Take-up	↘	848
Vacancy	↘	3.8

Düsseldorf		9.1
Prime rent	→	24.00
Yield	↘	4.6
Take-up	↘	418
Vacancy	↘	8.8

Frankfurt		12.5
Prime rent	↗	35.50
Yield	→	4.4
Take-up	↗	355
Vacancy	↘	11.3

Hamburg		17.0
Prime rent	→	25.00
Yield	→	4.1
Take-up	↘	533
Vacancy	→	5.5

Cologne		9.4
Prime rent	→	21.00
Yield	→	4.6
Take-up	↘	285
Vacancy	↘	6.0

Munich		17.1
Prime rent	→	34.10
Yield	→	3.8
Take-up	→	635
Vacancy	↘	3.8

Stuttgart		9.3
Prime rent	→	19.30
Yield	→	4.4
Take-up	→	289
Vacancy	→	3.7

Source: empirica, BulwienGesa, gif

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ATTRACTIVE INVESTMENT IN A CENTRAL LOCATION

In the heart of Osnabrück city centre

The complex consists of three properties offering a gross floor area of around 20,000 sqm of office, technical and retail space in total. Underground and outdoor car parking is available. The property is located inside the city centre ring road at the corner of Wittekindstr. and Möserstr.

Consumption data: Built in 1955/1992, main energy sources: gas and electricity, consumption figures: electricity 10 kWh (sqm/year), heating 54 kWh (sqm/year)

- Tenants with a good credit rating
- Plot approx. 6,185 sqm
- Total lettable area approx. 14,263 sqm
- 109 parking spaces

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OFFICE & TECHNICAL PROPERTY WITH FINANCIALLY SOUND TENANTS

Fleddern business park in Osnabrück

The complex consists of three properties offering a gross floor area of around 25,000 sqm in total. It is dominated by the administrative building, which was completed in 1993 and covers an area of around 22,500 sqm. The property is located to the south-west of the city centre, which is five minutes' drive away, as is the main railway station.

Consumption data: Built in 1974/1993, main energy source: gas, consumption figures: electricity 81.7 kWh (sqm/year), heating 77.0 kWh (sqm/year)

- Exceptional building fabric
- Plot approx. 27,119 sqm
- Total lettable area approx. 19,535 sqm
- 433 parking spaces

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SLOWER RENTAL GROWTH IN THE REGIONAL CENTRES

Rental trends in the regional markets and the top 7 continue to converge

Following the substantial rise in average asking rents in the regional markets in the second half of 2015 (+1.8 percent), the period from January to June 2016 saw marginal growth of just 0.4 percent. At the mid-point of the year, the average rent level in the 14 regional cities was €8.27/sqm. Excluding the top segment, asking rents ranged from €5.00 to €12.00/sqm. While rents in the high-end segment increased slightly, rents in the mid-price and lower market segments stagnated in the first half of 2016.

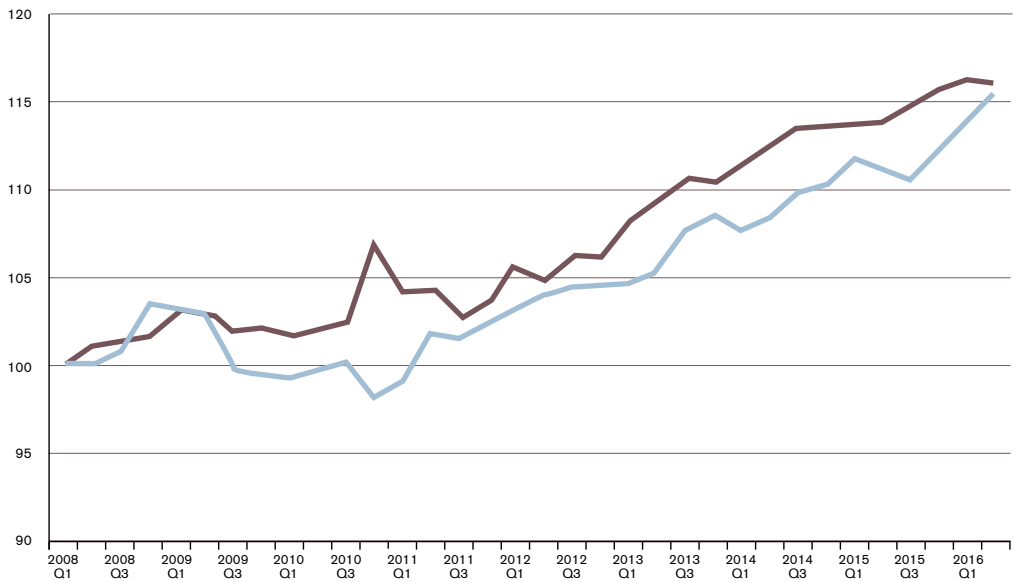
The top 7 locations enjoyed strong growth in asking rents of 2.9 percent in the first half of 2016. Only the first half of 2011 saw a higher growth rate (+3.7 percent). Above-average rental growth was recorded in the high-end segment, while asking rents at the lower end of the price spectrum remained largely unchanged. In mid-2016, the average asking rent for office space in the top 7 locations was €13.64/sqm.

Interpretation of the Regional Office Index

The Regional Office Index shows the average asking rents in the 14 regional centres since the first quarter of 2008 (index = 100). The development of the corresponding rents in the top 7 locations is shown for comparison.

REGIONAL OFFICE INDEX

Development of asking rents in the regional centres compared to the top 7



Asking rent indices

14 Key Regional Cities

■ Regional Office Index

Top 7 cities

■ Asking rents in the top 7 cities

GROWTH LIMITED TO OLDER POST-WAR PROPERTIES

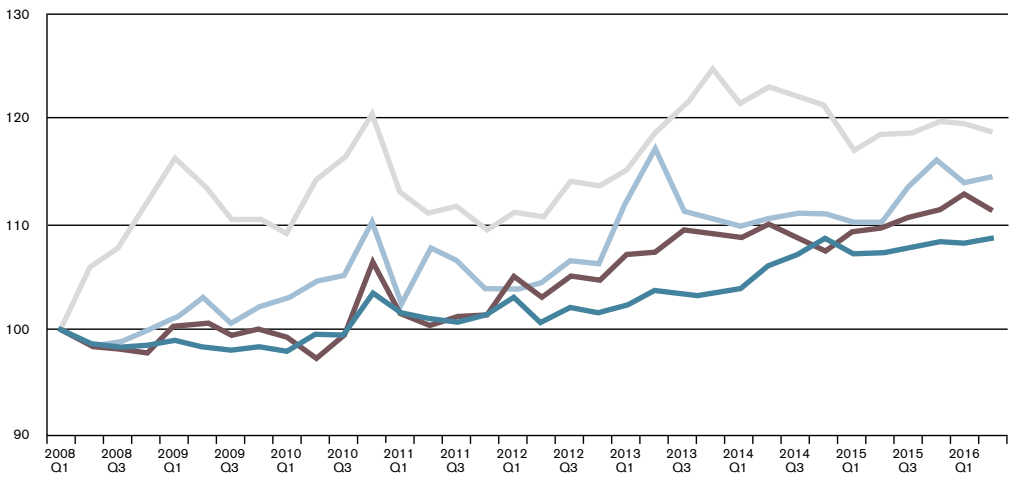
New buildings with average rents of €11.85/sqm

In the middle of the year 2016, asking rents for office space in new buildings in the regional centres were 0.8 percent or €0.10 lower than at the end of 2015. This was because the downturn in rents in the lower and mid-price segments, which are largely situated in peripheral locations, was not offset by rental growth in the higher-end segment in central locations. At the midway point of the current year, the average asking rent for a centrally located new building was €12.74/sqm, up around 4 percent on the same period of the previous year.

Younger, more affordable properties reap the rewards

In June 2016, average asking rents for existing properties built in 1995 or later were €8.36/sqm, up 0.2 percent on the end of 2015. Properties from the 1990s in the lower price segment enjoyed particularly strong growth; this may reflect the fact that price-sensitive potential tenants consider these still appealing properties to represent stronger competition for affordable new buildings. Rents for 1990s properties in the regional office markets range from €5.37 to €11.50/sqm. In some cities, however, up-market modernised properties in this age category generate significantly higher rents that fall within the respective prime segment.

NO REAL WINNERS OR LOSERS
Regional Office Index by age category (Q1/2008–Q2/2016)



- after 1995, excluding new buildings
- 1945 - 1994
- new buildings*
- before 1994

*Buildings less than 3 years old

VARIED PICTURE IN THE INDIVIDUAL REGIONAL CENTRES

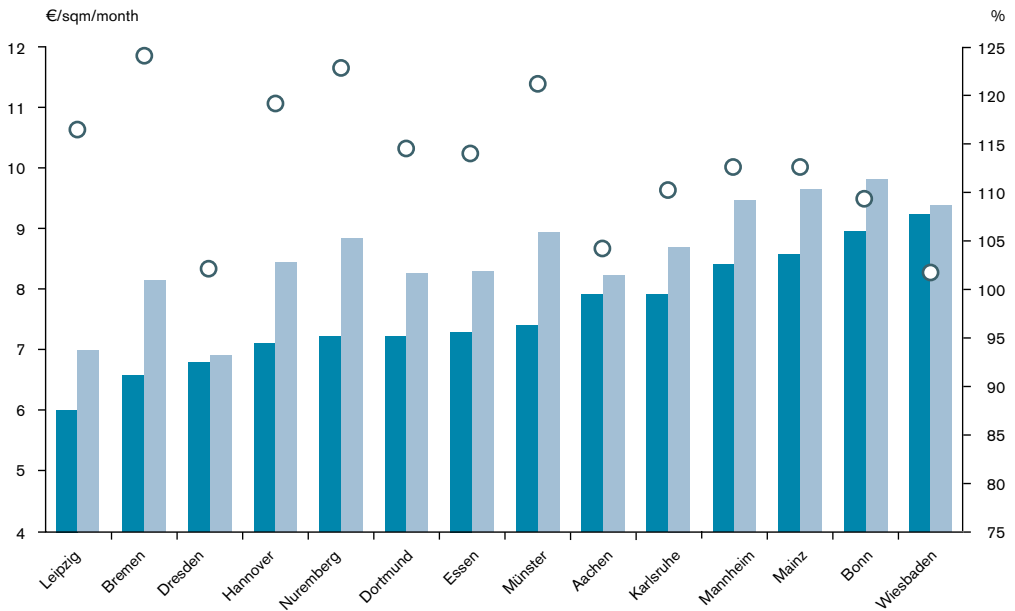
Substantial growth in Bremen, Nuremberg and Münster

The strongest rental growth in the first half of 2016 was recorded in Bremen and Nuremberg. In Bremen, which is one of the more affordable regional markets, asking rents increased by 6.0 percent compared with the end of 2015 to an average of €8.17/sqm, with all price segments benefiting from this upturn. All in all Bremen reaches the highest growth rate of any location since the Regional Office Index was launched in early 2008. Following growth of 5.4 percent to an average of €8.85/sqm in the summer of 2016, Nuremberg continues to occupy a midfield position among the regional markets in terms of rent levels. The rental growth in the city is due in particular to a substantial upturn in the high-end price segment. However, Münster – the focal city of this edition – also performed well in the first half of 2016, recording growth of 3.5 percent. In light of the shortage of space in centrally located prime properties, the upper price segment saw above-average growth.

Growth also recorded in Dortmund, Leipzig, Bonn and Hanover

Above-average increases were also recorded in other office markets in the first half of 2016: Dortmund and Hanover reinforced their position in the midfield of the regional office markets with average asking rents of €8.27/sqm and €8.46/sqm respectively. In Hanover, average rental growth was driven by a substantial upturn in the upper-end price segment. In Dortmund, the affordable segment was the main driver of the overall rental trend. In terms of the ranking of regional centres, Bonn is the new frontrunner with asking rents of €9.82/sqm, with growth limited to the high-end segment. Although Leipzig remains an affordable office market alongside Dresden, with average rents amounting to €7.00/sqm, it recorded rental growth across all segments.

BONN – NEW FRONTRUNNER AHEAD OF MAINZ
Absolute rents* (Q1/2008–Q2/2016)



■ Q1/2008

■ Q2/2016

○ Increase
 Q1/2008 to
 Q2/2016

Expected year-on-year rental trend

Aachen →	Dresden ↗	Leipzig ↗	Nuremberg ↗
Bonn →	Essen →	Mainz ↗	Wiesbaden →
Bremen →	Hannover ↗	Mannheim ↘	
Dortmund ↗	Karlsruhe ↗	Münster →	

Source: empirica price database 2016 (IDN Immodaten GmbH, empirica systeme GmbH)

*Arithmetic mean

MUTED DEVELOPMENT AT THE MOST EXPENSIVE LOCATIONS

Tangible downturns in Essen, Mannheim and Dresden

The three cities saw rents fall by between 1.8 percent and 2.9 percent in the first half of 2016. The strongest downturn was recorded in Essen. At €8.30/sqm, average asking rents in summer 2016 are in line with the mean for all of the regional office markets. The substantial fall in rents in the top segment is notable, with almost no high-quality new buildings entering the market, while rents in the upper segment declined to a lesser extent than in the city as a whole. The rental market in Mannheim also saw little in the way of new buildings in central locations in the first part of 2016, resulting in a significant decline in the upper-end segment. The picture is similar in Dresden, the most affordable regional office market with average rents of €6.93/sqm.

Little movement in Mainz and Karlsruhe

Rents in Mainz and Karlsruhe have moved sideways since the end of 2015. In Mainz, average asking rents in June 2016 were

€9.65/sqm. This meant that Mainz was the second most expensive regional office market after Bonn. Average rents remained essentially unchanged in the first half of the year (+0.1 percent). Only the affordable market segment saw price growth, with no change in any of the other segments. In Karlsruhe, asking rents fell by 0.7 percent in the first six months of 2016 to an average of €8.72/sqm. Rents declined in the lower market segment, remained stable in the upper segment and saw growth in the top segment. In a Germany-wide comparison of regional markets, Karlsruhe is an affordable location in close proximity to the dynamic Rhine-Neckar economic region. Average asking rents in Mannheim are 8.6 percent higher than in Karlsruhe.

Aachen and Wiesbaden bring up the rear

These two cities saw the most pronounced decline in average asking rents in the first half of 2016. Having fallen by 4.4 percent since the end of 2015, average rents in Aachen amounted to €8.25/sqm as of summer 2016. Asking rents in all segments decreased, with only the mid-price segment



remaining largely stable. Even following a downturn of 4.8 percent in the year to date, Wiesbaden remains one of the more expensive regional office markets at €9.40/sqm. Like in Aachen, asking rents fell across the market as a whole, but the mid-price segment was least affected by the overall trend.

RENTAL GROWTH IN ALL OF THE TOP 7 MARKETS

Highest growth rates in Stuttgart and Frankfurt

Although Frankfurt began 2016 with asking rents increasing by 4.1 percent to an average of €15.50/sqm, it remains in second place behind Munich. There was growth in the mid-price and upper-end segments, whereas the lower market segment moved sideways. However, it was Stuttgart that recorded the strongest rental growth in the first half of the year, with average asking rents climbing by 6.9 percent to €12.23/sqm to match the level recorded in Berlin. The upturn in Stuttgart encompassed all price segments.

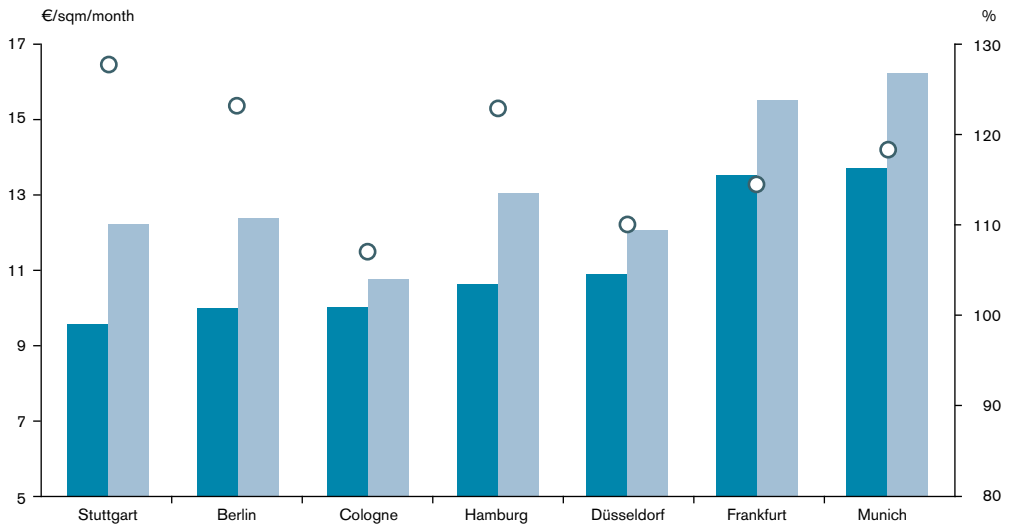
Berlin, Hamburg and Cologne in mid-table

Rents in Berlin, Hamburg and Cologne increased in line with the average for the top 7 markets. Asking rents in Berlin, Germany's largest office market, averaged €12.30/sqm. Properties in the top segment enjoyed above-average growth, as did extremely affordable properties. In Hamburg, rental growth (+2.3 percent to €13.06/sqm) was driven by all segments of the market. Cologne remains the most affordable of the top 7 office markets with average asking rents of €10.71/sqm. In the first half of the year, it benefited from above-average rental growth in the upper-end segments.

Munich and Düsseldorf lagging behind

Munich and Düsseldorf have seen the most modest rental growth in 2016 to date (+1.2 percent and +1.0 percent respectively). With average rents of €16.11/sqm, the Bavarian capital remains the most expensive office market. Düsseldorf remains the second most affordable market in the top 7 with average rents of €12.01/sqm. Unlike Düsseldorf, rental growth in Munich was concentrated on the prime segment.

STRONGEST LONG-TERM RENTAL GROWTH IN STUTTART
Absolute rents* (Q1/2008–Q2/2016)



- Q1/2008
- Q2/2016
- Increase Q1/2008 to Q2/2016

Expected year-on-year rental trend

- Berlin** ↗
- Düsseldorf** ↗
- Frankfurt** →
- Hamburg** ↗
- Cologne** ↗
- Munich** ↗
- Stuttgart** →

Source: empirica price database 2016 (IDN Immodaten GmbH, empirica systeme GmbH)

*Arithmetic mean

MÜNSTER: TOP LOCATION IN THE WESTPHALIA REGION

Solid office market with extremely good key data

Situated in the Westphalia region, Münster is one of Germany's most attractive medium-sized office markets. The broad-based economy builds upon knowledge-intensive services at the interface between research and development (more than 50,000 students), a dynamic IT sector, insurance and banking companies, and various state institutions including NRW.BANK and the Regional Fiscal Office of North Rhine-Westphalia.

Thanks to the prosperous economy, the number of office employees has increased to around 85,000. With stock of 2.7 million sqm, the office market ranks in the mid-table of the regional markets and can be compared with Wiesbaden or Karlsruhe.

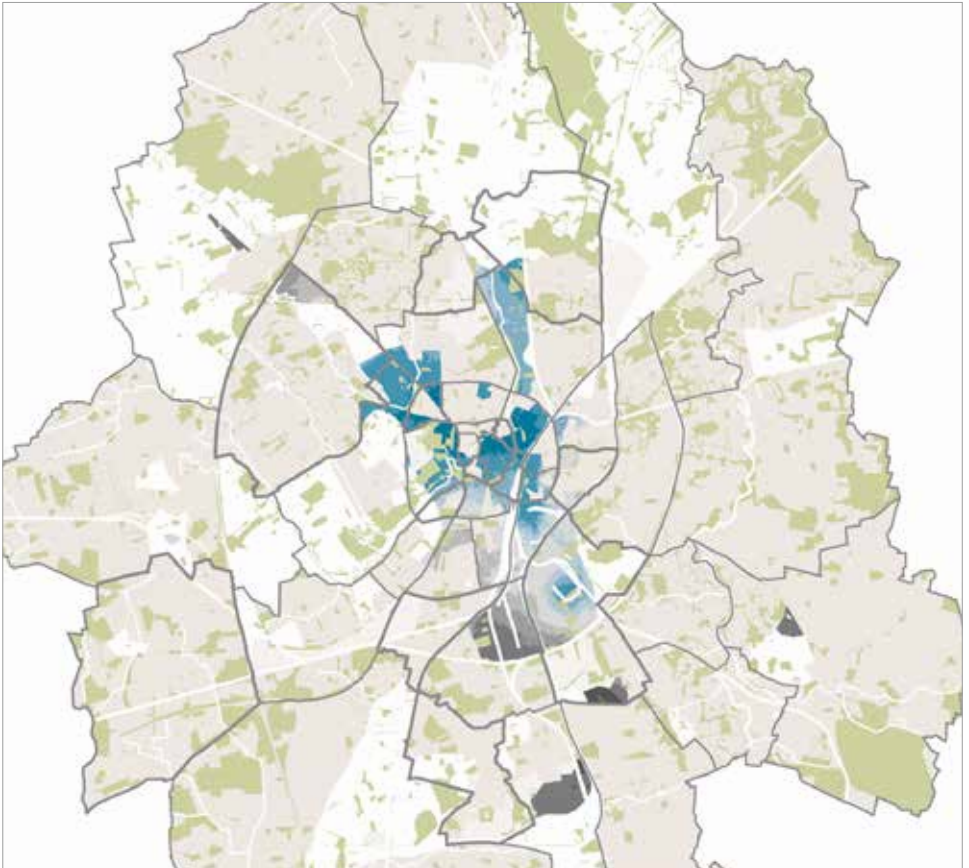
Münster leads the way among the regional markets when it comes to the ratio of take-up to office stock. In 2015, take-up in the city amounted to around 93,000 square metres, while the long-term average is 85,000 square metres.

With average asking rents of €8.96/sqm, Münster had an above-average price level compared with the other regional markets at the midway point of 2016. Average rents have risen by 21 percent since the start of 2008, propelling Münster to fifth place in the ranking of regional office markets. Prime rent is currently €14.10/sqm. Münster also leads the way when it comes to vacancy rates: At just 2.2 percent, the city is the best performer among all 14 regional centres.

Deviation from average rent (=0)



MÜNSTER OFFICE MARKET
Asking Rent Level (Q1/2012–Q2/2016)



Source: empirica-systeme GmbH, Infas Geodaten GmbH 2016

NEW OFFICE DEVELOPMENT PROJECTS OUTSIDE THE CITY CENTRE

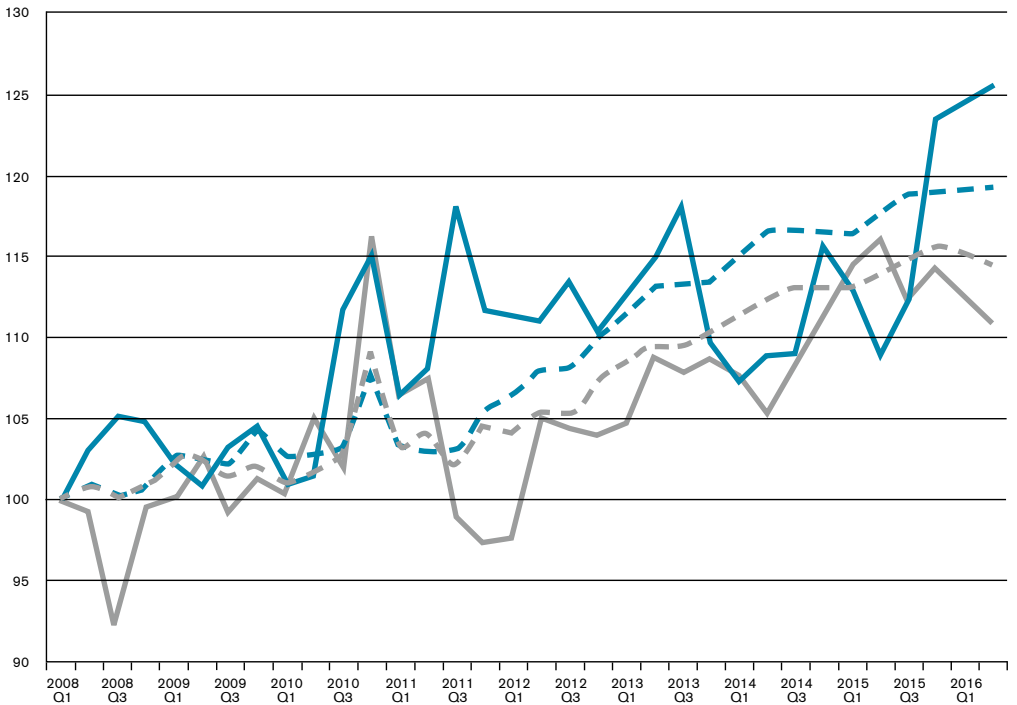
Interview with Dr Thomas Robbers, Managing Director, Wirtschaftsförderung Münster GmbH

What are the characteristics of the Münster office market? The office market is characterised by the dynamism of the small and medium-sized companies that are located in the city. The broad-based nature of the economic structure ensures constant demand; it is rare for companies to move into the city. In 2015, take-up reached a new record high of 93,500 square metres, while the vacancy rate also fell to a historical low of 2.2 percent – not least because the total office stock has only risen by an average of around 19,000 square metres every year after taking repurposing into account. Letting activities dominate in Münster, with owner-occupiers only accounting for 20 percent of the market. The tenant structure is comparatively small-scale, with two-thirds of rental agreements relating to spaces of 300 square metres or less.

Where is the Münster office market currently developing? The city harbour, the Stadthafen, is one of the hot spots of the office market. In recent years, it has become a new high-end location offering attractive waterfront space. 30,000 square metres are currently in development, with the potential for an additional 50,000 square metres by 2020. With space at a premium, the city centre will continue to be dominated by revitalisation projects rather than new buildings in future. One exception is the area around the main railway station, where there is potential for the construction of around 10,000 square metres of new office space. The Loddenheide business park to the south-east of the city centre also offers development space for around 10,000 square metres of office stock.

What are the trends for the future? Take-up in 2016 and 2017 is likely to reach the long-term average of around 80,000 square metres. Although the vacancy rate is already low, it is likely to continue to fall slightly in light of the limited new construction activity. With prime rents expected to enjoy moderate growth of around €0.50/sqm every two years, average rents are also set to continue on their upward path.

STADTHAFEN DRIVES THE CITY-CENTRE RENTAL TREND
 Index performance Münster compared with the overall index



- Münster – Centre
- All 14 Regional Centres – Centre
- Münster – Periphery
- All 14 Regional Centres – Periphery

Source: empirica price database 2016 (IDN Immodaten GmbH, empirica systeme GmbH)

MÜNSTER OFFICE MARKET DRAWS INVESTORS' ATTENTION

1 Willy-Brandt-Weg 41



Lettable area
7,750 sqm
Main tenant
Vectron
Systems AG
Year built
2000/2001

2 Oststr. 2-18



Lettable area
11,350 sqm
Main tenant
Deutsche
Telekom AG
Year built
1965/1990

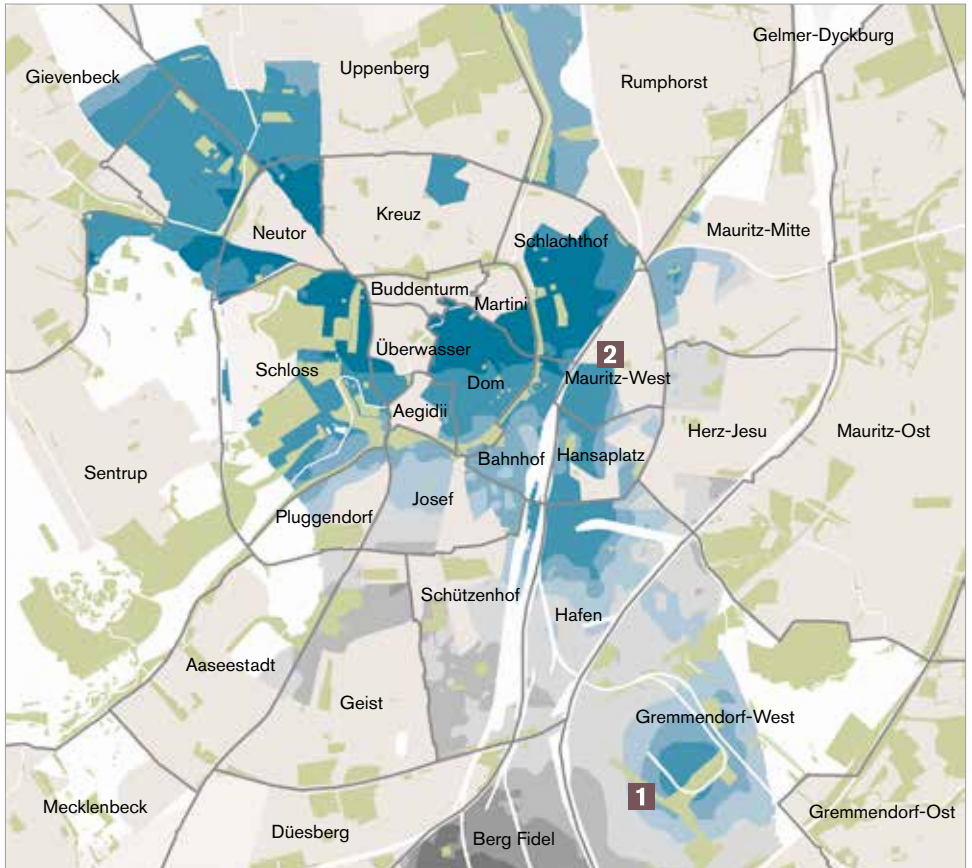
Selected investment transactions in the office sector 2015–2016

Period	Property	Floor area	Buyer
Q2/2016	Linus-Pauling-Weg 8	3,500 sqm	Family office
Q1/2016	Weseler Str. 480	36,000 sqm	Areo Duplex GmbH
Q1/2016	Martin-Luther-King-Weg 24	3,300 sqm	Hamborner Reit AG
Q1/2015	Anton-Bruchausen-Str. 1	7,800 sqm	Catella KAG
Q1/2015	Herwarthstr./ Von-Steuben-Str.	4,150 sqm	Accor Hotellerie Deutschland GmbH

Deviation from average rent (=0)

Built-up areas	below -25	-10 to -5	10 to 15	above 50
Green areas	-25 to -15	-5 to 5	15 to 25	
Other areas	-15 to -10	5 to 10	25 to 50	

MÜNSTER OFFICE MARKET Asking Rent Levels (Q1/2012–Q2/2016)



Source: empirica-systeme GmbH, Infas Geodaten GmbH 2016



COMMERCIAL PROPERTY AS AN INVESTMENT OPPORTUNITY

In north-western Detmold

Constructed in 1992, the four-storey office building encompasses a good 27,000 sqm of gross floor area in total. Two large parking areas offer additional development potential. The property is located in a business park approx. 1.8 km to the west of the city centre; the main railway station is around 1.3 km away.

Consumption data: Built in 1992, main energy sources: heating plant/district heating, energy requirements: 276.40 kWh (sqm/year)

- Occupancy level 90%
- Plot approx. 40,540 sqm
- Total lettable area approx. 21,180 sqm
- 422 parking spaces

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RESIDENTIAL AND BUSINESS PROPERTY IN EXCELLENT LOCATION

In the heart of Wallenhorst town centre

A good half of the two- to three-storey property is taken up by office space, with retail space on the ground floor and residential space on the top floor. The property is located in the town centre alongside numerous public and private utilities and services.

Consumption data: Built in 1996, main energy source: gas, consumption figures: electricity 6 kWh (sqm/year), heating 75 kWh (sqm/year)

- Occupancy level 100%
- Plot approx. 2,543 sqm
- Total lettable area approx. 3,177 sqm
- 55 parking spaces

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EAST WESTPHALIA – STABLE OFFICE MARKETS BUILT ON A SOLID ECONOMIC STRUCTURE

Solid economic foundations

While Münster, the focal city of this edition, is increasingly drawing the attention of institutional real estate investors, office locations such as Bielefeld, Osnabrück and Paderborn find themselves in the shadows somewhat. However, a look at the economy of the region shows that it is home to numerous famous names, including Bertelsmann, Claas, Gildemeister, Miele, Oetker, Piepenbrock, Seidensticker and Wincor Nixdorf, as well as countless "hidden champions" – small and medium-sized companies that are less prominent but that still play a role on the international stage. Taken together, they ensure the East Westphalia region enjoys solid economic foundations that are also reflected in the local property markets.

Stable office markets

The largest office markets in the East Westphalia region, Bielefeld, Osnabrück and Paderborn are each home to around one million square metres of space. Osnabrück has above-average office stock in relation to the number of inhabitants and people in employment.

Average take-up for the last five years was around 25,000 square metres in Bielefeld and Osnabrück and around 10,000 square metres in Paderborn. Compared with the total office stock, the market activity recorded by these locations is around half that of the top 7 markets and regional centres represented in the Regional Office Index – the exception is Osnabrück, where the level is higher. As is typical for smaller office markets, rental activity is lower, while take-up is driven by owner-occupiers to a large extent, with space often constructed specifically to meet their requirements.

Speculative construction activity is something of an exception. As a result, vacancy rates are low, coming in at between 3 and 5 percent in each of the markets and showing little in the way of change in recent years. In these markets, it is not only central locations but also locations on the edge of town that play an important role in the development of additional office space.

OFFICE MARKETS IN EAST WESTPHALIA

Selected key socioeconomic and property industry figures

	Bielefeld	Osnabrück	Paderborn
Population (2015)	333,998	165,654	148,126
Employees subject to social security contributions (2014)	141,131	88,576	70,314
Office workers (2014)	62,325	38,196	32,303
Office stock 2015 (GLA, sqm)	1,682,000	1,130,000	809,000
Completions, avg. 2011–15 (sqm)	13,100	10,600	6,900
Take-up, avg. 2011–15 (sqm)	25,900	26,200	10,100
Vacancy rate 2015 (%)	2.5	3.7	4.6
Prime rent 2015 (€/sqm/month)	11.1	11.3	8.5

Varied rental development

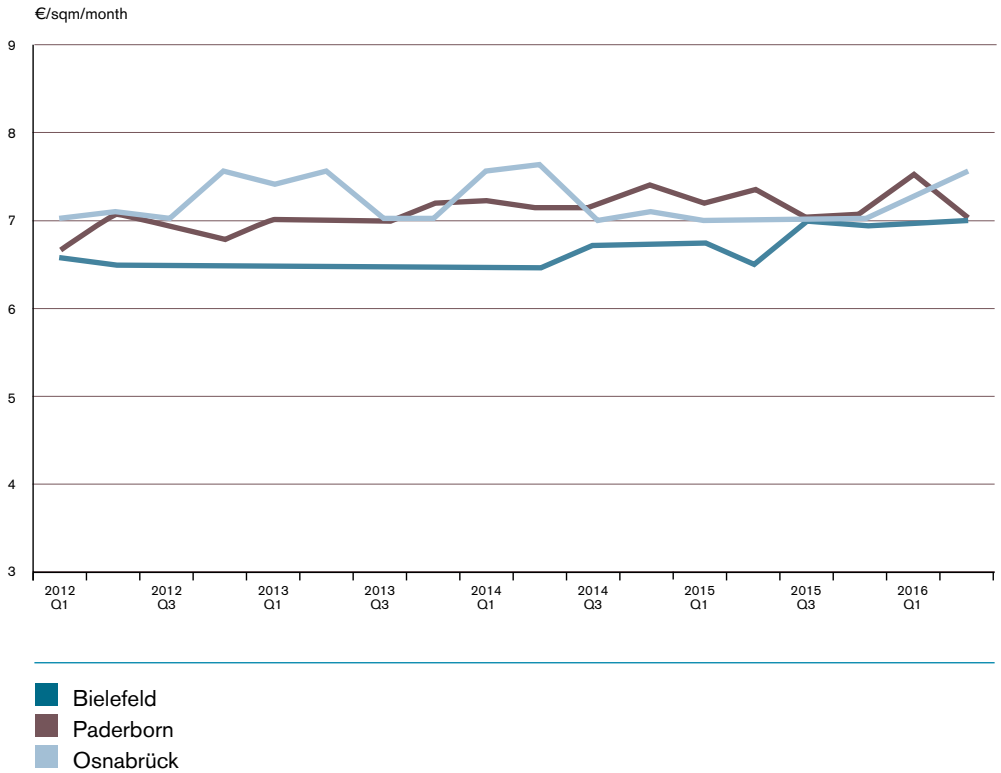
The office markets of East Westphalia are characterised by low volatility in terms of average rents. This is illustrated by an analysis of asking rents in the respective urban areas, which are shown as median values. Bielefeld, the largest market, is notable by its low rents, whereas asking rents in the considerably smaller market of Paderborn have been relatively high in recent years. In this respect, the figures appear to be affected less by the size of the respective market and more by the availability of space at different price levels.

The established structures are visible once again when it comes to prime rents, however: Both Bielefeld and Osnabrück currently come in at a good €11/sqm per month, well ahead of Paderborn at around €8.50. Prime rents have risen substantially in recent years, with only Paderborn seeing moderate growth.

The Paderborn office market is split between the city centre and the business and office parks on the edge of the city where the highest rents are generated. Small and medium-sized companies and research and development institutions in particular are successively moving into new-build office space in areas such as Paderborn Technology Park and Zukunftsmeile Fürstenallee.

By contrast, the Bielefeld office market has a more traditional structure, with the highest rents recorded in the city centre and near-city locations. The rental market in central areas, where the majority of development projects are realised, is correspondingly distinct. At the same time, there is a not insubstantial volume of new construction in the city's business parks, particularly for owner-occupiers. In recent years, Adenauerplatz and the area around the main railway station have seen particularly high levels of construction activity.

ASKING RENTS IN THE OFFICE MARKETS OF EAST WESTPHALIA Small differences in average rents*



*Figures shown are median rents

METHODOLOGY

The asking prices for office properties as represented in the diagrams and maps are the result of an evaluation of the empirica price database (source: IDN Immodaten GmbH) and the price database of empirica-systeme GmbH. Together, these two databases include more than 100 sources (e.g. major real estate portals and daily newspapers), thereby covering a large share of the German real estate market. In order to achieve a high degree of valid results, office listings are filtered in a graduated cleaning process. In the first step, recurrent listings are isolated by matching multiple characteristics. In the second step, improbable listings are removed from the data record by setting threshold values. More than four million listings were included in

the evaluation for the period from Q1/2008 to Q2/2016. The "GERMANY 21: Regional Office Index" profiles average rents calculated as arithmetic medians.

The transition of the data source from the empirica price database (source: IDN Immodaten GmbH) to the price database of empirica-systeme GmbH necessitated a conversion of the absolute rents mapped by the index for each city for Q1/2008. The transition was accompanied by the elimination of extreme values at the level of the individual cities. Any cases exceeding three times the standard deviation (above and below) are excluded from the calculation of the arithmetic mean of the office rents for the respective market. The rent increases

identified by either source are used to determine the retrospectively calculated rents listed on pages 17 and 21. The asking rent levels in Münster as shown on page 23 represent zones of identical rents in the office quarters of the city as a deviation from the city-wide average and irrespective of urban district boundaries. This not only identifies the office rent price structure within a given city but also highlights the price differences within a given district. Methodologically speaking, the asking rent level is based on a geostatic process that links asking rents from the years 2012 and 2016 geographically right down to the exact address. In the final step, the findings are coordinated with local office market experts to enhance plausibility. The empirica office employment

forecast for the regional planning regions (page 5) is based on the empirica employment forecast and a forecast for the office employment ratios in 60 business departments backed by a regression analysis of the office employment ratio.

EMPIRICA

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empirica, an independent economics and social science research and consulting firm, operates three offices: empirica Forschung und Beratung AG in Berlin, its branch office in Bonn, and komet-empirica Regionalentwicklung, Stadtentwicklung, Immobilienforschung GmbH in Leipzig. empirica advises national, regional and international institutions as well as private clients in the areas of real estate markets, economic research and urban and regional planning, and maintains proprietary databases (the empirica price database, the empirica vacancy index, the empirica regional forecasts and the empirica urban sub-district database).

empirica ag is a member of the "Rat der Weisen" council of experts that regularly submits a spring report on the forward-looking development of Germany's key real estate segments.

For more information about empirica, go to

www.empirica-institut.de

empirica-systeme GmbH

empirica-systeme GmbH specialises in the processing, analysis and supply of real estate market data. The empirica-systeme market database provides the basis for differentiated analyses of the real estate market including a wide range of variables concerning the location, features and condition of individual properties.

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In Münster, Zentrum Nord

The complex consists of two connected properties. The buildings are constructed with three and two full floors respectively, each with an attic and a basement floor for covered parking spaces. The property is located the north of the city centre in the "Zentrum Nord" office and administrative district, which has its own railway station.

Consumption data: Built in 1982/1988, main energy source: district heating, consumption figures: electricity 85 kWh (sqm/year), heating 22 kWh (sqm/year)

- Occupancy level 100%
- Plot approx. 8,404 sqm
- Total lettable area approx. 5,434 sqm
- 185 parking spaces

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With companies in Switzerland, France and Germany, Swiss Life Asset Managers has real estate assets under management with a total value of more than €63 billion (as of 30 June 2016).

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CORPUS SIREO IS GERMANY'S LEADING ASSET MANAGER



CORPUS SIREO Germany's most valuable real estate asset management brand for the fifth year in succession

Cologne, May 2016: CORPUS SIREO has been recognised as Germany's most valuable brand in the real estate asset management segment for the fifth year in a row. This is the outcome of the Berlin-based EUREB Institute's survey of around 44,000 industry experts concerning awareness of a total of 1,200 European real estate brands.

The survey, which has been conducted annually since 2009, is the most extensive empirical study of brand value in the German real estate industry. CORPUS SIREO also received the "Brand Sustainability Over Five Years" award across all categories and asset classes.

PropertyEU: Swiss Life Top Investor 2015

According to the ranking by the real estate industry journal PropertyEU, Swiss Life Asset Managers is Europe's largest asset management service provider with assets under management of €59.0 billion, €14.3 billion of which are attributable to CORPUS SIREO. CORPUS SIREO has been an independent business unit of Swiss Life Asset Managers since 2014.



CORPUS SIREO was one of Germany's best employers once again in 2016.

This was the result of the biggest Germany-wide survey, which asked more than 70,000 employees to rate their own companies. In the largest survey of its kind, Focus, "Xing" and "kununu" jointly identified the 1,000 best employers with over 500 employees from across a total of 22 industries. The best employers in Germany according to the nationwide Focus survey received the "Top National Employer 2016" award – and CORPUS SIREO was among them once again.



CORPUS SIREO among the top two most popular employers

The annual survey of students conducted by Immobilien Zeitung showed that we are again one of the two most popular employers in the real estate industry.

The most important German trade publication surveyed 588 students taking industry-related degree courses at a total of 112 educational institutions throughout Germany, asking them about their preferred employer. The outstanding result: CORPUS SIREO improved its score from the previous year and took second place.



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