



BREMEN
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2016

THE BREMEN PROPERTY MARKET REPORT 2016

OFFICE | LOGISTICS | RETAIL
RESIDENTIAL | INVESTMENT



Bremeninvest



Eins, Überseestadt

The climate for investment in Bremen's property market is as strong as ever. Stability and continuity are hallmarks of the Hanseatic City, despite the turbulent events in Europe and the world at large. These characteristics continue to make it an attractive location for project developers and investors. The figures in this Report provide striking evidence of that.

In every segment of the market, Bremen is well ahead of national trends. The market for logistics properties, especially, is developing at a record-breaking pace. Bremen's position as a key logistics hub for international goods flows is paying dividends. In 2016, the total amount of indoor space rose to almost 2.7 million m², with take-up rising to 253,560 m². This equates to a year-on-year increase of 16.5%. An end to this trend is nowhere in sight, for the time being, at least.

On the office property market, Überseestadt and peripheral locations are on the ascendant. They compensate admirably for limited availability of space in the city centre. Almost half the total take-up in the first half of 2016 was generated by Überseestadt alone. Total annual take-up in 2016 is forecast as 88,000 m². At just under 3.3%, vacancy rates in Bremen continue to be the lowest in Germany – despite a plethora of new buildings and redevelopments that are expected to boost the total office inventory to almost 3.6 million m² of total rented area by the end of the year.

In the retail property sector, prime locations are showing significant growth in value at present, due to more and more cafés, restaurants and bars, free WiFi and improvements to public spaces. It does not only make visiting the city centre a more relaxed experience, it is also a reason for spending more time there. Retailers benefit accordingly.

In contrast to other segments, the situation on the residential market remains tight. Extremely low interest rates have intensified the pressure to invest in property and in some cases has led to substantial price rises, especially for condominiums. The investment market has calmed down somewhat, on the other hand. After a record-breaking 2015, with sales of 400 million Euro, things have returned to normal.



Photo: Björn Behrens

The opportunities and the potential that the Bremen property market currently offers you are described in some detail on the following pages. We hope your interest will be awakened and look forward to discussing matters in a personal meeting!

Andreas Heyer
CEO
WFB Wirtschaftsförderung Bremen GmbH
(Bremeninvest)



UNTERWEGS – DAV Rock Climbing Centre Bremen, Technology Park

Photo: WFB/Studio B



Schuppen 3, Überseestadt



Manufactum, city centre



Parkside Oberneuland, Oberneuland

THE OFFICE MARKET IN 2016 *

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

THE LOGISTICS MARKET IN 2016 **

TAKE-UP | INDUSTRIAL ESTATES | PRICE LEVELS 12-17

BREMEN AS A RETAIL TRADE CENTRE IN 2016 *

STRUCTURE | LOCATIONS | PRICE LEVELS 18-23

THE HOUSING PROPERTY MARKET IN 2016 *

POPULATION TRENDS | PRICE LEVELS | FORECASTS 24-25

2016 INVESTMENT MARKET REPORT *

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

THE OFFICE MARKET IN 2016

TAKE-UP
CONSTRUCTION ACTIVITY
PRICE LEVELS

THE

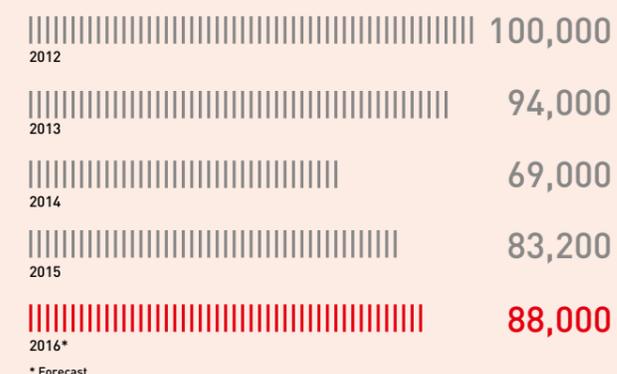
3.3%

VACANCY RATE IS WELL
BELOW THE AVERAGE
FOR SECOND-TIER CITIES

CONSTRUCTION ACTIVITY IS BOOSTING THE MARKET

So far in 2016, take-up of office properties is on a similar level to the two previous years, with around 36,950m²* in space being newly rented in the first half of the year. The total annual take-up figure is expected to reach 88,000m², as experience has shown that market activity tends to gather pace in the second half of the year. At 83,200m², annual take-up in 2015 came close to the five-year average of 84,000m² p.a., with commercial leasing accounting for all of the total. Take-up by owner-occupiers, which is often significantly higher, was extremely low in 2015. The situation in the first half of 2016 was very different – 4,000m² have already been taken up by owner-occupiers since construction of the Überseekontor in Konsul-Smidt-Straße began. Next year, the newly built head office of Kühne & Nagel on Martinistraße will add another 9,500m².

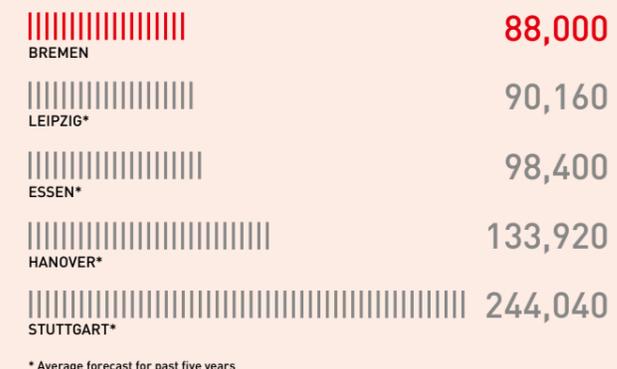
Rented office space in Bremen, 2012 – 2016, in m²



Market activity characterised by take-up of small-scale units

In 2015, a dominant role was played by commercial leasing transactions involving small areas of office space below the 500m² mark. Taken together, they accounted for approx. 22,000m² of take-up, which equates to 26% of the annual total. As usual, the biggest share of take-up was for office premises between 1,000m² and 5,000m² in area. More than 36,000m², or around 44%, fell into that category. Only one agreement for an area greater than 5,000m² was concluded, when the municipality of Bremen rented around 6,000m² in the redeveloped Fruchthof for the Department of Social Services. A similar trend can be identified in the first half of 2016: only one commercial leasing agreement for more than 5,000m² has been concluded so far. Kühne & Nagel will be moving into around 6,200m² in the former stock exchange building on Obernstraße until 2018 while its new corporate head-quarter building is under construction.

Total rented area in various large cities, 2016, in m²



Peripheral locations benefit from the shortage of city-centre office space

At over 20,000m², a good quarter of annual take-up in 2015 was in peripheral locations. The remainder was distributed relatively evenly among the other kinds of location. The city centre in Bremen, traditionally in strong demand, reached a share of 19%, at almost 16,000m². The lack of large, contiguous and modern office space there is the main constraint on activity. In many cases, peripheral locations offer potential tenants a value-for-money alternative. The lowest take-up rate in 2015 was achieved in Airport City – at a good 9,000m² or around 11%.

Sectoral structure of leased office space in 2016, in m²



TAKE-UP OF OFFICE SPACE RISES TO

88,000 m²

Bremer Landesbank, city centre

* All figures in m² for office space are m² total rented area



EcoMaT, Airport City

Visualisation: huberstaudarchitekten bda



COMKOPIE, Technology Park



Bremische Volksbank, city centre



TIS, Überseestadt

Visualisierung: Max Dudler / Bremische Volksbank AG

Trends in the first half of 2016 were a strong contrast to 2015. Überseestadt, a strong area normally, drew 49% of total take-up with a volume of more than 18,000m² by July 2016. It is followed in second place by the city centre, which has a good 28% share and a volume of more than 10,000m². Together, the two areas thus generate almost 80% of take-up. The lowest take-up, at just over 1,000m² so far this year, was in the Technology Park at the university.

In 2015, associations, municipality and university once again the sector with the strongest take-up

In 2015, as in 2014, the public sector, associations and federations were the sector with the strongest take-up on the Bremen office property market (23.4%), closely followed by Transport/Production/Trade (23.1%). Service providers to industry and 'Other sectors' also accounted for a significant proportion (just over 12% each). The lowest demand in 2015 was from Insurances, Financial Services and the Health Industry. The picture for the first half of 2016 is the following: the strongest sector, at almost 13,000m², is Transport/Production/Trade (35%). The category 'Other' accounts for 12,000m² of take-up (approx. 32%), 'Service Providers to Industry' for another 8,000m² (almost 22%).

More completions on the Bremen market

The total area provided by new construction was slightly higher in 2015, at 23,400m², than in 2014. Forecasts expect a further increase in the figure. Many property developers are keeping areas with building and planning rights in reserve for rapid implementation when preletting rates so require. The most important completion in 2015 was the extension of the

Europa Center on Airbus-Allee. That alone supplied an additional 7,500m² to the Bremen market. Just under 8,200m² have been completed so far in 2016, with a further 8,000m² now available following redevelopment. There are also four new construction and two redevelopment projects currently under construction. They will increase the total amount of completed office space in 2016 to a projected figure of 50,000m². Just under 40,000m² of that total ensue from construction of the new Bremer Landesbank building and the 'Eins' complex in the Weser Quarter now being built by H. Siedentopf GmbH & Co. KG. If all those properties are completed according to schedule, the total office inventory will reach a good 3.59 million m² by the end of 2016.

This year, Bremen's city centre will be the location with the biggest increase in office space, owing to completion of the

Construction activity, 2012-2016, in m²



new Bremer Landesbank building, and will even be leading Überseestadt in that respect. However, the building will be used by the bank itself, so it will not produce any new leasing capacity in the city centre. For many, Überseestadt is a viable alternative with rich potential for large-scale business development close to the city centre.

Vacancy rate fluctuates at a low level

Following a slight fall in the vacancy rate in 2015, a slight rise is expected in 2016. This correlates with the increase in new buildings. Although all new buildings have high preletting rates, they are rarely fully rented prior to completion. Demand mainly comes from the local business community, despite the influx of companies from other regions. This means that moves from elsewhere in Bremen leave vacant property behind, namely office areas that are often out of step with the times and which need to be marketed over a longer period.

The lowest vacancy rates are found in Überseestadt, where only 6,000m² were registered for the first half of 2016. The city centre has the highest vacancy rate, at 44,000m². This is attributable to the large number of small premises that have arisen in the course of history, which cannot compete with new office space in Überseestadt as far as quality is concerned. Peripheral areas around the city centre, where buildings and plots of land are bigger, are also beneficiaries in that respect. The vacancy rate fell slightly in that segment and is current at approx. 19,000m². In total vacancy rate for Bremen in the first half of 2016 is therefore around 118,000m², up year-on-year by 4,000m² in absolute terms. This equates to an overall rate of 3.3%, or 0.1% higher than the 2015 figure. Bremen thus remains well below the average vacancy rate of 5.8% in other second-tier cities in Germany.

Peak rents in Überseestadt show further slight rise

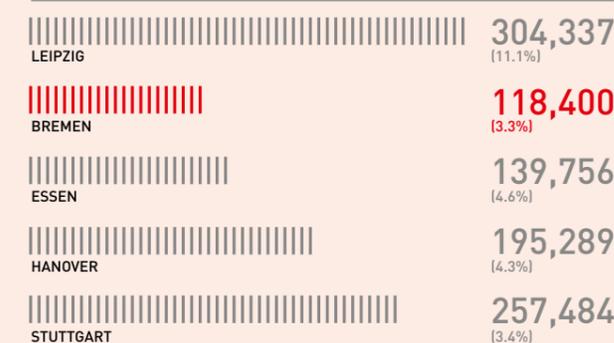
2015 was the first year in which peak rents in Überseestadt, at 12.70 Euro/m², exceeded those in the city centre (12.50 Euro/m²). A further slight increase to 12.80 Euro/m² is expected for 2016. The absence of even higher rises, despite the quality provided by new buildings in Überseestadt, is mainly due to the strength of supply-side factors. Competition between existing new office space and projects ready for construction limit peak rents to slight rises only. Depending on location, facility quality and users, however, substantially more than 13.00 Euro/m² is paid for some commercial leases.

Stagnation in the city centre – slight growth around its suburb

The shortage of modern office space in the city centre is leading to declining demand and thus to stagnation of rents. Peripheral areas around the city centre benefit because particular locations, such as the area around

the main railway station, provide similarly good conditions. Companies that attach the greatest value to a central location and ease of access tend to switch to such areas instead. Property developers are also responding to that option with a number of redevelopment projects (Fruchthof) and new construction projects (City Gate, Weserspizze). A slight increase in 2016 is therefore forecast not only for peak rents in the city centre periphery (+ 0.30 Euro/m²), but also for average rents (+ 0.20 Euro/m²). This brings rents in this particular segment to a level of 9.50 Euro/m² for peak rents and 7.80 Euro/m² on average.

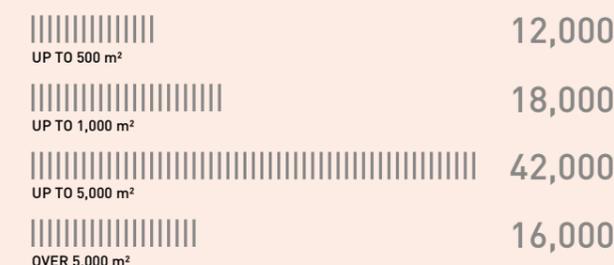
Vacancy levels in the city of Bremen compared to other German cities in 2016, in m²



Distribution of vacant properties among Bremen's office locations, 2016, in m²



Size structure of commercially leased properties, 2016, in m²



THE LOGISTICS MARKET IN 2016

TAKE-UP
INDUSTRIAL ESTATES
PRICE LEVELS

TAKE-UP OF LOGISTICS SPACE
GROWS TO

253,560 m²



BREMEN EXTENDS ITS LEADING POSITION

As a location, Bremen is a hotspot within international goods flows. Every day, colossal amounts of goods arrive at the container terminals in Bremerhaven, a large proportion of which are stockpiled and further processed in the city of Bremen. There is an increasing tendency for goods arriving in the ports of Hamburg and Wilhelmshaven to flow via Bremen to their destinations worldwide.

This is attributable to Bremen's proximity to the North Sea, its central position between the three major German ports and the middle of Europe, and its superb infrastructure. Bremen thus provides ideal conditions and many kinds of value creation potential to globally operating logistics companies from Germany and abroad.

In order to assert and maintain this leading position in Europe, Bremen is continuously adapting its infrastructure to the mounting challenges of globalisation. An important role is played in that respect by its broad-ranging supply of commercial areas and properties.

Inventory increases to just under 2.7 million m²

The inventory of indoor logistics space in the city of Bremen has grown in 2016 to a total of 2.685 million m², despite the demolition of many older properties. Among other factors, this was made possible by the creation of 1 million m² of indoor space since 2005.

This growth is all the more impressive when one considers the logistics properties that are not included in the latter figure. For example, figures relate exclusively to logistics areas in the city of Bremen. This contrasts fundamentally with the 'Big 5' agglomerations, namely Hamburg, Frankfurt, Berlin, Düsseldorf and Munich, where not only the municipality itself, but also surrounding areas are included in the logistics market figures, unlike in Bremen.

Logistics properties on the sites of industrial and commercial companies such as AB-InBev, the Mercedes-Benz plant and Arcelor Mittal, are not included in Bremen's figures, either. Such buildings are only included when they are operated by logistics service providers through outsourcing and for that reason are available to the market.

When the fact that around 50% of indoor logistics space in the entire Bremen/Oldenburg metropolitan region is concentrated in the city of Bremen is taken into account,

this reveals the sheer size and substance of the market here. As a comparison, in the 'Big 5' agglomerations referred to above and in the entire Ruhr area, the inventory of indoor logistics space is estimated at more than 18 million m². The figure for the Hamburg region is around 4 million m².

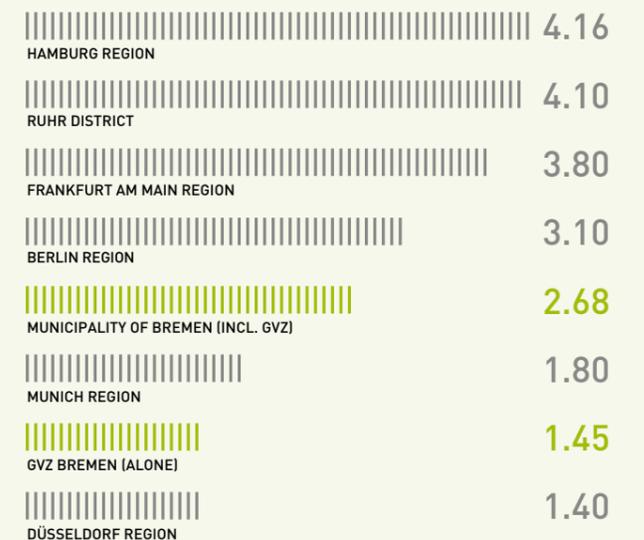
Significantly higher take-up than national average

Take-up in Bremen has also risen substantially, to 253,560m² (2015: 217,800m²). This rate of increase is higher than the national trend and means a further growth in Bremen's share of total take-up in Germany. New user contracts were concluded for 20 properties in total over the survey period (2015: ten), of which twelve involved more than 10,000m² of indoor logistics space (2015: eight). That also includes the 'light industrial production' segment, which alongside online commerce is boosting local market development.

Clearly attractive to investors

The inventory of logistics properties relevant for investors currently amounts to 1.7 million m², or 60% of the total available inventory. This means that all such properties are at least 8,000m² in size, have a clear height of

Indoor space compared to other German cities, 2016, in millions of m²



VACANCY RATE FALLS TO A RECORD LOW OF

1.14 %

AZUL, GVZ Freight Village Bremen



Lloyd Industrial Park, Airport City North

at least 6.5m and were built after 1985. Bremen is well above the national average in this respect also. A mere 15% of the total inventory of logistics properties in Germany is considered to be interesting for investors.

Another locational factor that is gaining in importance is the quality of personnel. Bremen's logistics industry has a combined workforce of more than 35,000 in over 1,000 enterprises. More than 70,000 employees input their know-how in logistics-related fields. Within the Bremen population, the level of acceptance for planned investments in logistics properties is accordingly very high, whereas the response elsewhere is often one of rejection.

The best examples of this are the five logistics centres in Bremen: the GVZ Freight Village, the 'Hansalinie' and 'Bremer-Kreuz' industrial estates, Überseehafen and Industriehafen. These form logistics interfaces within the network with other regional centres in Münster/Osnabrück, Hanover and Hamburg. Commercial companies can supply the entire Northwest of Germany, for example, without difficulty. Manufacturing companies can produce their goods in geographical proximity to their customers.

Constantly low vacancy rate

The vacancy rate has dropped significantly to 1.14% (2015: 1,91%). At present, a mere 30,500m² of space for logistics activities is still available (2015: 48,500m²). The supply of properties for commercial leasing is therefore scarce, especially those in the category from 10,000m². The continuously low vacancy rate since 2005, combined with the high take-up rates in Bremen, provide an optimal basis for investment and speculation.

Prices slightly higher

Due to the addition of many new logistics properties that have now come online, average rental prices in Bremen have risen a little to 3.21 Euro/m² (2015: 3.17 Euro/m²).

High-quality properties are now commanding months rents of 4 Euro/m² and more (excluding utility costs). For around 60% of existing properties, rents range between 2 and 3 Euro/m², or even less.

Very moderate land prices are still the main reason for the relatively low rents found in Bremen. Averaging at 45 Euro/m², these are about 50% lower than the equivalent figures in Hamburg.

GVZ Freight Village continues to be a driving force for the development of logistics centres in Germany and Europe

The GVZ Freight Village Bremen is one of Europe's most important logistics centres. That is also the conclusion drawn by the current 'LoGe 2015' study conducted by Logivest and the Fraunhofer Workgroup for Supply Chain Services. The latest data verify the success of the Freight Village: the inventory of logistics properties has reached 1.457 million m², exceeding all the forecasts. More than 40% of total take-up was generated here. Last year, 55% of the new indoor space in Bremen were created in the GVZ.

Site development work for additional logistics space and for developing new construction sites are clear evidence of steady inward investment in this field. A crucial factor in that regard is the perfect interaction of all the different modes of transport – thanks to direct links to the A 281 motorway, to the inland waterways and ocean shipping



Marahrens, Bremen Industrial Park

routes, and to air transportation. Local logistics companies are the main drivers of this growth and development. There are hardly any property vacancies.

At the centre of the automotive industry – logistics properties in Hemelinger Hafen and the 'Hansalinie' and 'Bremer Kreuz' industrial estates

The Hansalinie industrial estate plays a central role for Bremen's further advancement as a centre for the automotive industry.

The logistics needs of the Mercedes-Benz plant, especially, have led to an influx of many companies that have successfully invested here. Another factor is the widening of the A1 Bremen-Hamburg motorway – a key transport artery in Northern Germany – to six lanes.

Outlook for 2017: more than 2.7 million m² in indoor logistics space

In view of the persistent dynamism of the market and all those involved in it, further rapid growth of logistics properties in Bremen can be anticipated. Many additional jobs in this field could also be created at the same time.

Major potential for further development is provided not only by the GVZ Freight Village and the Hansalinie industrial estate – properties offering more than 500,000m² of space could also have revitalisation potential. Their particular attractiveness comes from their proximity to the ports.

Properties that are planned and in some cases already under construction indicate that the current inventory of 2.7 million m² will be exceeded by next year.

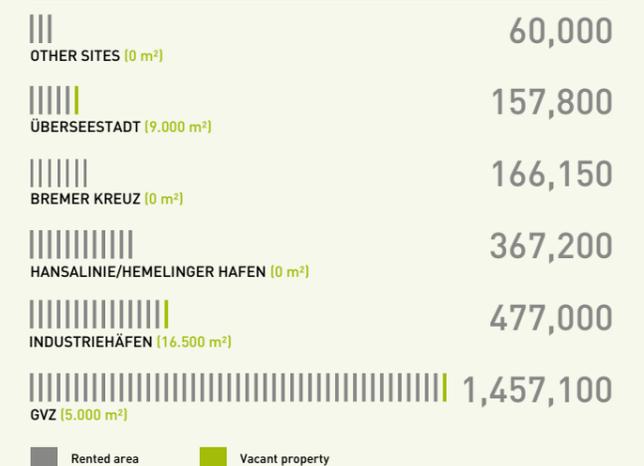


SOLLER, Bremen Industrial Park

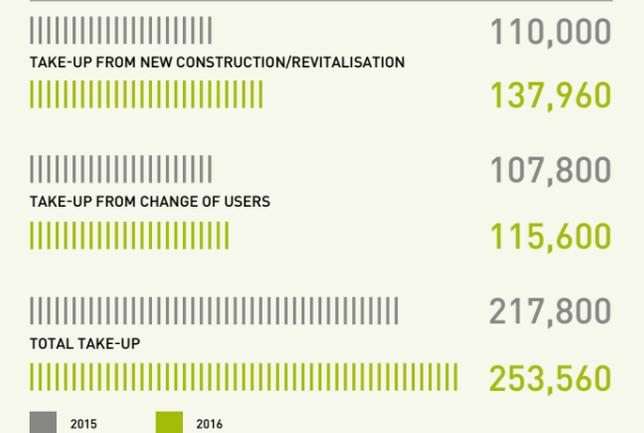


Uhlhorn, GVZ Freight Village Bremen

Distribution of indoor space, 2016, in m²



Take-up in Bremen, 2015/2016, in m²



BREMEN AS A CENTRE FOR RETAIL TRADE IN 2016

STRUCTURE
LOCATIONS
PRICE LEVEL



SALES INDEX CLIMBS
SLIGHTLY TO

117.3

THE QUALITY OF LIVING IS ON THE RISE

Contemporary life with historical attractions

With a population of more than 550,000, Bremen is one of Germany's ten biggest cities and the second-biggest city in northern Germany after Hamburg. Due to its geographical location, its excellent transport links and its extensive range of retail outlets, the total catchment area comprises more than one million inhabitants. The Hanseatic history and diversity of the city are also a reason why the number of visitors staying in Bremen hotels is continuously increasing. Last year, 1.75 million overnight stays were registered. That equates to more than 50% growth over the past ten years. The most popular destinations for tourists are in the city centre: the Schnoor quarter, the Böttcherstraße and of course Bremen's World Heritage, the marketplace in the centre. The retail stores in the immediate vicinity all profit from their increasing attractiveness.

New impulse in the city centre

With retail space totalling around 140,000m², Bremen's city centre is generally characterised by a high level of stability. At the same time, the city itself and other stakeholders are continually providing new impulse. These include, for example, the continuous expansion of free WiFi in the city centre – the aim being to provide complete coverage. 'citylab' is an initiative in the city centre that since early 2016 has been offering retail space for pop-up stores and start-ups that want to test the acceptance of their business ideas in a central location. In addition to a store for customised sneakers and a vegan restaurant, there is also the CALAFANT 'flagship store' with games made from cardboard. Right beside them are big-name, crowd-pulling chain stores such as H&M, Saturn, ZARA or 'idee. der creativmarkt'. They alternate with specialist, owner-managed retail stores like L'uomo, or Heimwerk Bremen. The city centre has succeeded, on a relatively compact area, to establish a diversity of retail outlets that attracts both customers and casual strollers in equal measure.

1A sites with strong character

Various shop-lined streets in the 1A city-centre locations have their very own charm and character. Sögestraße, the gateway to the city centre, acquires its particular ambience from its historical buildings and the small to medium-sized retail outlets that thus ensue. The Wempe jewellery store, the Stiesing fashion house and Marc O'Polo are indicative of a sophisticated clientèle and are accompanied by stores covering the needs of broader sections of the population. Creamlovers and TeeGschwendner are two new shops that have recently opened here. Most of the large chain stores, including ANSON'S, Peek & Cloppenburg, Fossil and ZARA, are located in Obernstraße, due to the availability of several large retail properties. The creation of green areas and new places to sit is aimed at further enhancing the quality of a sojourn in the Obernstraße. In Hutfilterstraße, where pedestrian frequencies are similarly high due to its being a continuation of Obernstraße, a new tenant has been successfully found for the retail area used by Strauss Innovation.

A PEAK PEDESTRIAN
FREQUENCY OF

5,127
PER HOUR

IS AMPLE PROOF OF THE
CITY CENTRE'S ATTRACTIVENESS

Q1, city centre



Large retail stores in Bremen's city centre

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

Key figures for Bremen's retail trade, 2016

Purchasing power index (retail-relevant)	98.2
Sales index	117.3
Centrality index	119.4
Retail-relevant purchasing power (in € m)	3,560
Sales (in € m)	3,788



citylab, city centre



EDU Einkaufspark Duckwitz, Airport City North



Zweirad-Center Stadler, Überseestadt

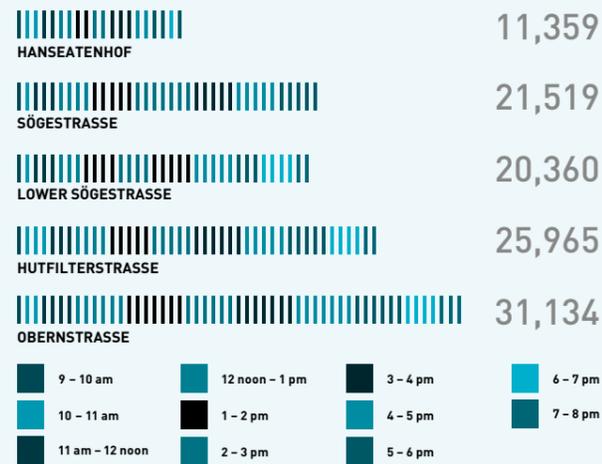
Prime, '1A' locations also include three shopping arcades called the LLOYD PASSAGE, the Katharinenpassage and the Domshof-Passage. The LLOYD PASSAGE is mainly influenced by Karstadt and Galeria Kaufhof, two large department stores. It attracts shoppers to stay longer and enjoy the shelter of its glass roof and its variety of pubs, cafés and the like, including GOSCH Sylt. The Katharinen and Domshof shopping arcades cater to demand for up-market brands like Lacoste, Montblanc or Robbe & Berking.

Changes of tenant are relatively rare at 1A sites in Bremen's city centre – mainly because of the availability of retail space. That also means, however, that vacancy rates at such addresses are an absolute rarity.

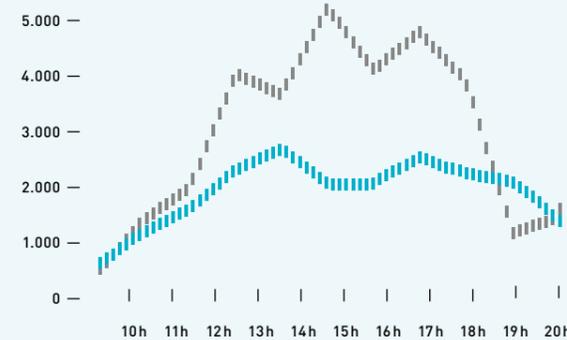
Catering gaining in importance

Adjoining streets have managed to benefit in recent years from encouraging trends in the city centre and have extended the range of outlets to be found there. The 'Am Wall' boulevard, for example, acquired a sharper profile

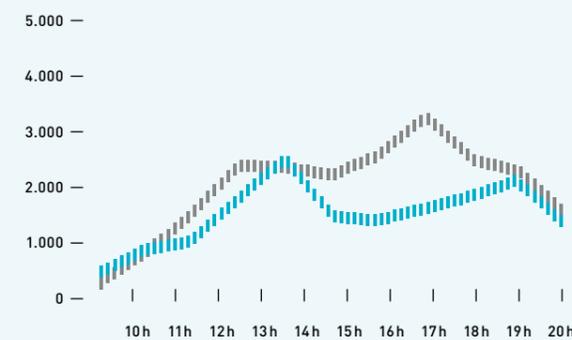
Pedestrian frequencies (Saturday, 18.6.2016)



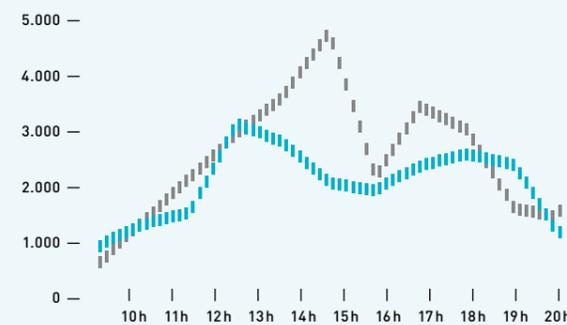
Pedestrian frequency in Bremen's city centre: Obernstrasse



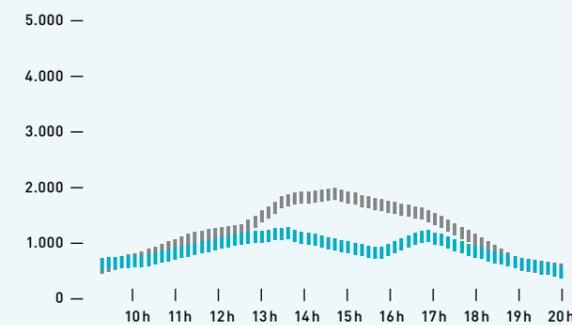
Pedestrian frequency in Bremen's city centre: Sögestrasse



Pedestrian frequency in Bremen's city centre: Hutfilterstrasse



Pedestrian frequency in Bremen's city centre: Hanseatenhof



||| Thursday (cloudy/sun) ||| Saturday (cloudy/sun)

as a source for high-quality home fittings and furnishings when the SieMatic Kitchen Studio opened there in 2016. Pieperstraße and Papestraße entice pedestrians from the Obernstraße with an attractive range of pubs and cafés. In spring 2016, Yalla Yalla Falafel, the Bremen street food restaurant, opened its second outlet in the pavilions on Papestraße. There are plans to redesign the street. Knochenhauerstraße, with shops and cafés like Wellensteyn, GRAVIS and VAPIANO, has similarly attracted two new catering outlets, Biggie B and Anton's. Meanwhile, dean&david are now planning their second city-centre outlet for fresh fast food on Domshof.

As already mentioned, the current situation for commercial leasing in Bremen's city centre is exceptionally good. This reflects a national trend in which catering establishments are accounting for an increasingly large proportion of take-up. The result is an enhancement of the city centre's quality for customers and pedestrians. The creation of green areas and other improvements to the public space, or the provision of free WiFi, provide further enhancement.

Whereas pedestrian frequencies in Sögestrasse on Thursday was around 5% higher in 2016, year-on-year, the figures for Saturday evening declined slightly at all points of measurement. Several factors may potentially be the cause: at the weekend preceding the survey, shops in Bremen's city centre had been open all day Sunday, and when the survey was being conducted, the European Football Championships were drawing everybody's attention, and the weather was relatively changeable. On the whole, the survey results were in line with averages obtained in several years of surveys. The situation can therefore be described as stable in this regard also.

Hotspots outside the city centre

In addition to the city centre, various shopping centres and specialist retail outlets are important shopping locations for the population of Bremen and the surrounding catchment area. Mention should be made here of the Waterfront and Weserpark malls, as well as the newly-opened 'EDU Einkaufspark Duckwitz'. By reducing the area of the 'real' supermarket, it was possible to convert the facility into a speciality shopping centre more in keeping with the times. 'Einkaufspark Duckwitz' accommodates more than 25 separate outlets and has attractive anchor tenants in the form of Saturn or Hornbach.

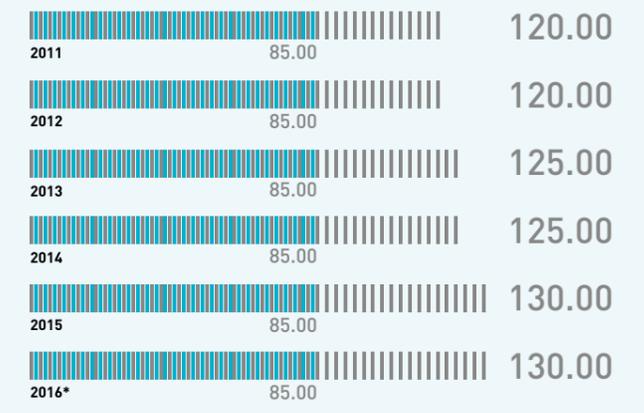
The 'Quarter' on Ostertorsteinweg is an inner-city district that exudes a charm of its own. Retailers and customers alike appreciate not only the location itself, but also and above all the relaxed atmosphere and the quality of living to be found there. Around 300 shops in total invite all-comers to stroll, stay a while – and buy things, of course. The

opening of the 'Coworking Space' in the Quarter is a further enhancement of the location's special attractiveness for creative people, freelancers and digital nomads.

Outlook for 2017

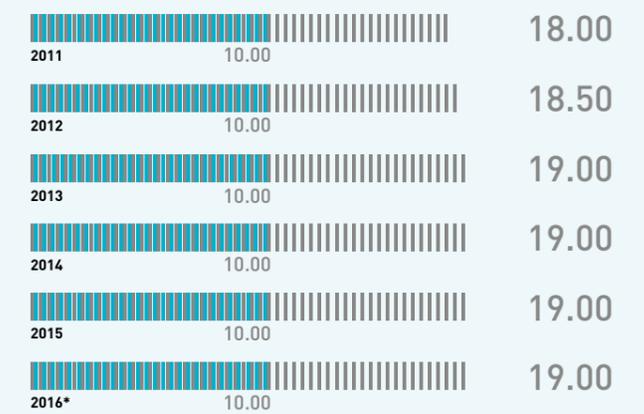
Behind historical walls on Domshof, in the old counter area of the Bremer Bank, a new magnetic attraction for sophisticated customers is coming into being. In addition to 'brot&butter', a food outlet under the prestige 'Manufactum' brand, an appealing market hall is being created here. Called 'MARKTHALLE ACHT', it will house 20 different outlets for retailers from the region. The Katharinen and Domshof shopping arcades in the vicinity could potentially profit as a result from new customers and higher pedestrian frequencies. In Obernstraße, the opening of the new ZARA fashion store could trigger an increase in pedestrian frequencies. Measures to upgrade the surrounding public space could allow the successes achieved so far to be consolidated.

Trends in retail rents in the city centre, in € per m²



* Forecast
■ Peak rent ■ Average rent

Trends in retail rents in the local districts, in € per m²



* Forecast
■ Peak rent ■ Average rent

THE HOUSING PROPERTY MARKET IN 2016

POPULATION TRENDS
PRICE LEVELS
FORECASTS

THE AVERAGE MONTHLY RENT FOR NEWLY-BUILT APARTMENTS IS

€ 10.40 per m²

Affordable housing for the less well-off at Marcuskaje, Überseestadt

THE RESIDENTIAL MARKET IS STILL UNDER PRESSURE

As in most German agglomerations, the market for residential properties in Bremen is still under considerable upward pressure on prices. The persistent trend towards reurbanisation, combined with large numbers of refugees, is causing bottlenecks in the housing supply. Pressure to invest is increasing at the same time, due to persistently low interest rates. The consequences are significant price rises on the rental and transaction markets. These trends are intensified by the fact that construction activity in the residential sector is only gradually starting to pick up pace. There is traditionally a strong demand in Bremen for housing in higher-quality locations such as Schwachhausen, Horn-Lehe and Oberneuland. However, new construction activity is increasingly concentrated on new riverside locations in the city centre and Überseestadt, and on the Stadtwerder island.



Student's hostel, Technology Park

Visualisation: Zechbau

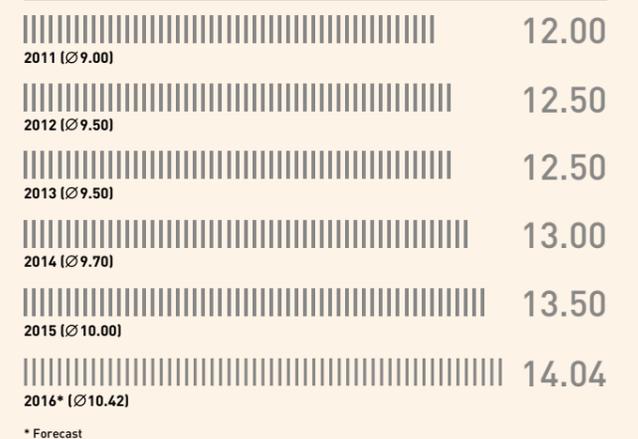
Purchase prices increase again by 5%

The trend already established in previous years continues unabated. In the case of contemporary new construction projects, purchase prices are continuing to show a strong increase relative to 2015 – by just under 5% at both peak prices and on average. In 2016, peak purchase prices exceed 4,400 Euro/m², whereas on average they now exceed 3,200 Euro/m². This means that, within only five years, average purchase prices have now reached the level found in the peak price segment in 2011. The highest purchase prices, above the 5,000 Euro/m² mark, were registered for the projects at Thomas-Mann-Straße 10 in Schwachhausen, and in the 'Quartino' in the Steintor district.

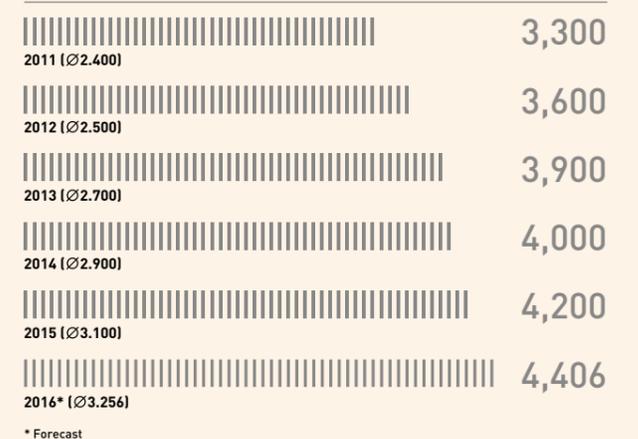
Rents are rising more slowly than purchase prices

One striking aspect of current trends is that purchase prices are increasing significantly faster than rents, where price rises are limited to 3% on average and a peak of 3.7% year-on-year. Rents in the new building segment have thus reached a level of 10.40 Euro/m² on average and a peak level of 14 Euro/m². A five-year comparison shows even more clearly the extent to which purchase prices and rents are being decoupled in Bremen due to the pressure to invest in real property: whereas rents for new buildings increased by 12.3% at peak level and by 9.7% on average, purchase prices rose over the same period by 33% at peak level and more than 35% on average. This trend is also noticeable on the transaction market. The multipliers for new apartment buildings have meanwhile reached a peak figure of 20.6 and an average of 15.5. This corresponds to a further year-on-year increase of 60 basis points at peak levels and 50 basis points on average.

Trends in peak rents in Bremen (new buildings), in € per m²



Trends in peak purchase prices in Bremen (new buildings), in € per m²



INVESTMENT MARKET REPORT 2016

TRANSACTIONS ROIS PRICE LEVELS

WITH A NET INITIAL ROI OF

5.5%

FOR OFFICE PROPERTIES
IN CENTRAL LOCATIONS,
BREMEN CONTINUES TO
BE AN INTERESTING PLACE
TO INVEST IN

Hafenkante, Überseestadt

2015 – A RECORD-BREAKING YEAR IN BREMEN ALSO

Germany's image as a safe harbour for investments in real property seemed to be untainted. 2015 saw a rapid increase in sales. Bremen gained similarly from the enormous pressure to invest being generated by persistently low interest rates.

Waterfront development accounts for 50% of total sales

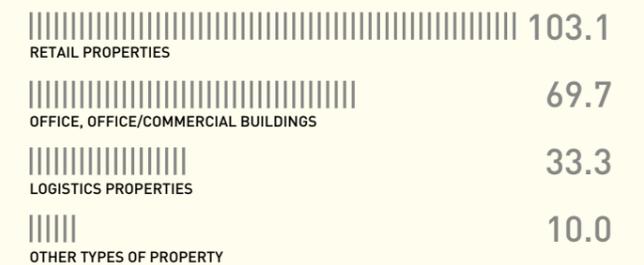
Sales on the Bremen market in 2015 reached the highest level since 2007, reaching a total figure of around 400 million Euro. The sale of the Waterfront shopping mall accounted for around 50% of total sales and was therefore responsible for the new record. In two separate transactions, the British consortium LNC Property Group/Resolution Property sold 5% to ECE and 95% to the asset manager ATP European Core Shopping Centre, from Denmark. The two buyers paid a total of more 210 million Euro for the mall. Commercial properties thus accounted for almost 60% of total sales in 2015, with a volume of 235 million Euro. Interest in logistics properties was similarly strong, with more than 100 million Euro being invested in 2015. The market for logistics properties in Bremen benefits from a number of factors, one of them being its gateway function and a modern transportation centre in the form of the GVZ Freight Village. Office properties only achieved an investment volume of just under 16 million Euro, in contrast, with no major properties being involved. Smaller properties, versatile business and office complexes and redeveloped properties met with interest among investors. This relatively low sales volume was primarily attributable to supply-side scarcities, because many major property developers in Bremen retain ownership of their new office properties. Investors switched to other cities or asset classes for that reason. That explains, for example, why around 47 million Euro was invested in the category 'Other' (hotels, managed properties, etc.) in 2015.

Investor restraint in the first half of 2016

There was some investor restraint in the first six months of 2016 – with around 90 million Euro being invested in commercial properties. This equates to a decline of almost 70% year-on-year, but can be explained by the Waterfront transaction alone, thus showing the strong impact that major transactions have on the volume of investment in Bremen. This makes it difficult to forecast a total figure for the year as a whole. A cautious estimate puts the transaction volume for the year 2016 at around

216 million Euro. There is increasingly strong demand for logistics and commercial properties, whereas smaller properties are still being traded in the office sector. So far in 2016, the biggest transaction was the Panattoni logistics park in the Hansalinie industrial estate, which involved an investment of 15 million Euro.

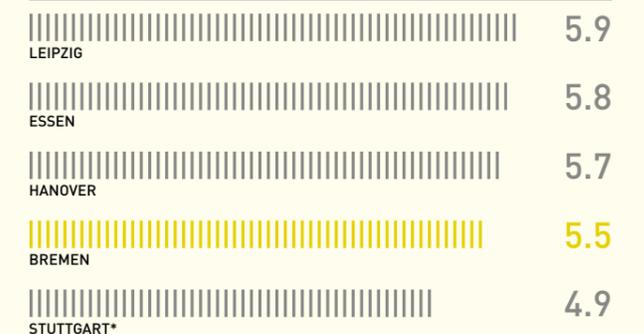
Transaction volumes by type of property, 2016, in € million



Transaction volumes by location, 2016, in € million



Initial net ROIs for office properties in a national comparison, 2016, in%



* Forecast

An aerial photograph of a city at sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. A river flows through the city, and several modern, multi-story buildings are visible in the foreground. The sky is filled with soft, wispy clouds.

2016

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