

HANNOVER



October 2021 issue

PROPERTY MARKET REPORT 2021

BUSINESS PROMOTION



Region Hannover

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NEW: CURRENT PROJECTS AT
WWW.IMMOBILIENMARKTBERICHT-HANNOVER.DE



HANNOVER AS A
PROPERTY LOCATION
IS DEMONSTRATING
THAT IT HAS THE
POTENTIAL TO OVER-
COME THIS UNPRECE-
DENTED CRISIS FOR
THE LONG TERM.

Cover: VAUND, Georgstraße, Hannover, sculpture by Hermann-Josef Mailbach

THE PROPERTY MARKET IN THE HANNOVER REGION



Dear Reader,

The property market in autumn 2021 is without doubt still being impacted by the corona pandemic, which is affecting submarkets to varying degrees. It was already apparent in 2020 that retail, hotel and gastronomy in Hannover would suffer most from the effects of the pandemic restrictions.

After very successful recent years, the onset of the economic crisis triggered by the corona pandemic has resulted in a particularly steep decline. Prior to the corona virus, all submarkets within the industry had been confident and enjoying success.



What will happen in 2022? Hannover has long been seen as a strong property location in Germany. Despite all the difficulties over the past year and a half, the Hannover Region remains an in demand development and investment location. To ensure that this remains the case, the areas of technology, tourism and retail require fresh and exciting input. The location's often cited resilience has been clearly demonstrated in recent months. Hannover as a property location has the potential to overcome the crisis for the long term.

Particularly in these uncertain times, the Property Market Report testifies to the committed and trusting cooperation of Hannover's property sector. It is therefore particularly important that assessing and categorising current developments in the Hannover property market is made on sound data and opinions from regional actors. The report this year has again been able to depend on 22 real estate businesses who have been working together for the past 19 years with the State Capital and the Hannover Region as well as with support from bulwiengesa AG to produce this survey.

Our joint commitment, trust and confidence in Hannover as a location have guided us so far and will help us to successfully master future challenges and to navigate our way out of the crisis.

Ulf-Birger Franz

Head of Business, Transport and Education Department
Hannover Region

Prof. Dr.-Ing. Lars Baumann

Head of Personnel, Organisation and Law
On behalf of the Business and Environment Department
State Capital Hannover



INVEST- MENT- MARKET



AFTER THE RECORD YEAR OF 2019, INVESTMENT VOLUMES DECREASED TO €785 MILLION, EVENTUALLY ACHIEVING AN AVERAGE LEVEL.

H3ö offices, STRABAG Real Estate GmbH

› The Hannover Region is an innovative industrial location, a service metropolis and a logistics hub for national and international markets. The regional economy had developed positively in recent years leading to a sustained demand for property in all submarkets. This consolidated and expanded Hannover's position as the most important

location in Germany behind the country's seven A-locations. At the same time, Hannover has been offering ever more appealing investment opportunities and attracting investors wanting to invest in locations that retain value.

MARKET MOOD AND TRENDS

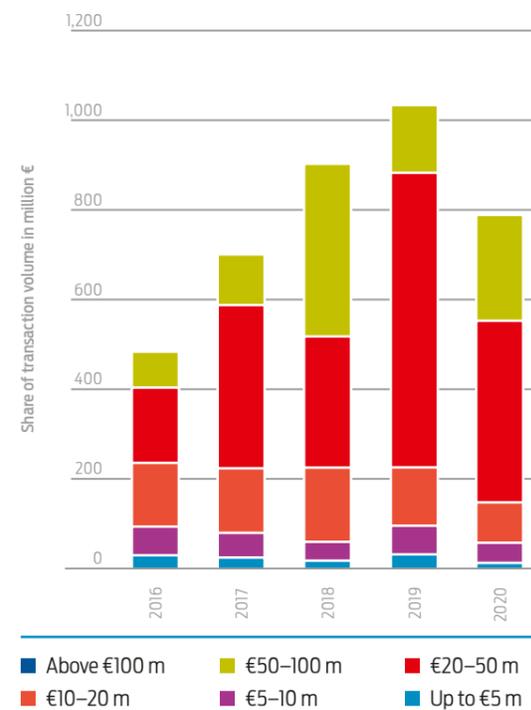
After a record year in 2019, the first quarter of 2020 initially looked promising. In the second and third quarters, however, market activity and thus also the property investment market in the Hannover Region slumped significantly. However, at around €785 million, investment volume in 2020 was in the end even slightly above the long-term average of around €780 million/year, although this latter figure was largely shaped by the very strong years of 2018 and 2019.

The crisis has had a particularly strong impact on three of the four main commercial asset classes: retail, hotels and, more recently, offices. The results can therefore be regarded as relatively high, underlining the overall stability of the property market in Hannover. The strong fourth quarter was the main contributor to the overall satisfactory result.

The first half of 2021 in the Hannover Region got off to a relatively subdued start. Investments of around €250 million have so far been recorded, but the actual figure is likely to be somewhat higher with other transactions made during the first half of the year usually becoming apparent during the course of the year.

The largest known single transaction of the year to date has been a developer purchase of a logistics project in the south-east of the Hannover Region at a transaction volume of well over €50 million.

Transaction volume for commercial property market
Distribution according to size classes 2016 to 2020

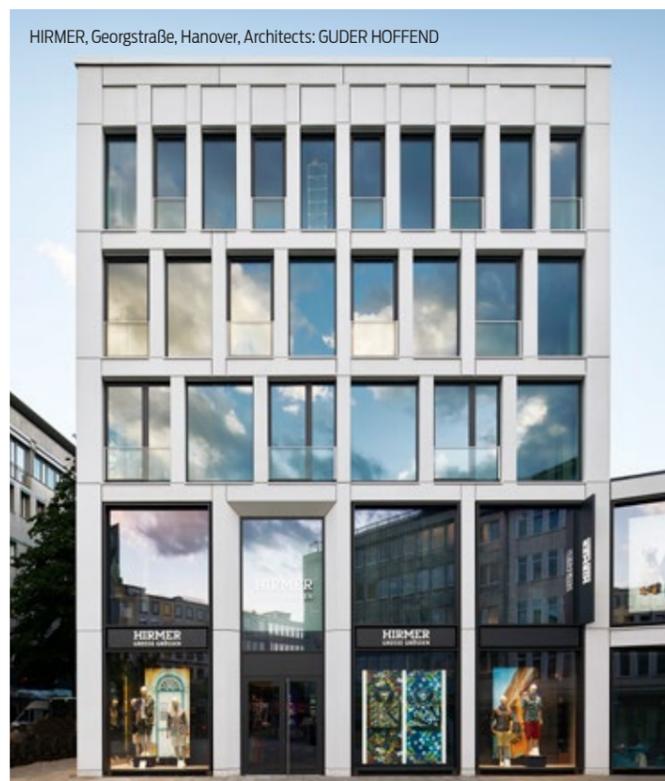


Source: bulwiengesa AG; data for the Hannover Region, data as at Q2/2021

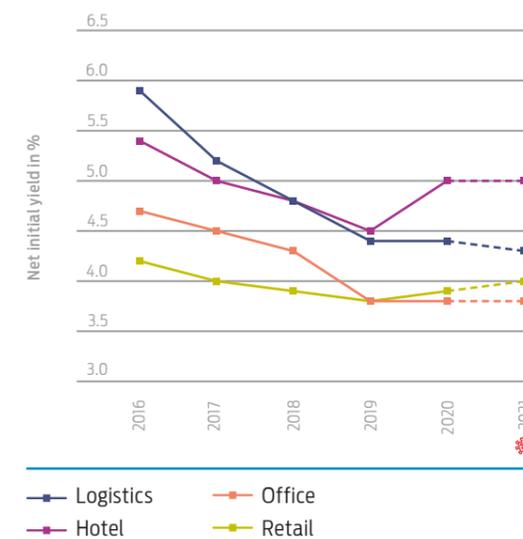
Transaction volume for commercial property market
Distribution according to submarkets 2016 to 2020



Source: bulwiengesa AG; data for the Hannover Region, data as at Q2/ 2021



Net initial yields in prime locations 2016 to 2021,
commercial property market Hannover



Source: bulwiengesa AG, data as at Q2/2021
For yield spreads, the lower end points are always given.

🌸 Data situation uncertain due to corona effects
Forecast based on information from market participants

New future developments are likely to focus much more on sustainable usage and sectors than on high short-term returns. Flexibility, digitalisation and the ability to deal with crisis situations (e.g. from pandemics and climate change) will also be future key issues for the property market. Locations such as Hannover will only be able to compete nationally if they are able to build on such strengths, expand them and meet the demand for core properties with the characteristics described above.

Hannover has the right conditions in place. Confidence is there, pre-leasing rates on new projects are falling, and new ventures are in the pipeline. Market players in Hannover are optimistically preparing for the post-pandemic era.

» DESPITE THE CORONA CRISIS, THE PROPERTY MARKET IN HANNOVER CONTINUES TO PROVIDE NEW, CORE QUALITY PROPERTIES.

Archive/storage and office building for the departments of culture and schools in the State Capital Hannover, bauwo Grundstücks-gesellschaft mbH



Office

Office rental space 2021 in m² MF-G*	5.2 m
Hannover city	4.7 m
Surrounding towns of Garbsen, Laatzen and Langenhagen	0.5 m
Office space turnover 2020 in m² MF-G*	145,000
Hannover city	139,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	6,000
Office space turnover 1st half of 2021 in m² MF-G*	55,000
Hannover city	54,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	1,000
Vacancy rate 2021 in m² MF-G*	220,000
Hannover city	185,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	35,000
Vacancy rate 2021	4.1%
Hannover city	4.0%
Surrounding towns of Garbsen, Laatzen and Langenhagen	7.2%
Peak rent 2021 in m² MF-G*	
City	17.00
City periphery	15.30
Average rent 2021 in m² MF-G*	
City	12.90
City periphery	11.60
Net initial yield in prime city locations 2021	3.8%

Source: bulwiengesa AG; Hannover Region surveys; information from market participants, data as at Q2/2021

* Area definition according to guidelines from gif Gesellschaft für immobilienwirtschaftliche Forschung e. V. on calculating rental area for commercial space



MARKET MOOD:
STABLE TREND.
GENERALLY
OPTIMISTIC.

OFFICE PROPERTY MARKET

MARKET MOOD AND TRENDS

Annual figures for the office property market show a significant decline. Office space turnover at the end of 2020 was around 145,000 m² (down 53,000 m² or 27%), with peak rents falling (down €1 to €17 per m² or 5.5%).

However, in 2020, the decline in the office property market was particularly high because it followed the record years of 2018 and 2019. Economic slowdown before corona meant there were already initial signs of a cooling down at the end of 2019 / beginning of 2020. The rise seen in inner city rents over recent years would probably have levelled off in 2020 even without the impact of the corona crisis. On a five-year average, space turnover is slightly below 160,000 m². The current situation is confirming these trends, with space turnover and rents stabilising at a still high, but now slightly adjusted level.

The positive picture of 2020, compared to the overall situation, has been sustained by an exceptionally strong first quarter. With the onset of corona restrictions, market activity on the local office property market did come to a standstill. However, by mid-year, the initial phase of uncertainty seemed to have been overcome. In general, strategic projects did not come to a halt and negotiations that had already begun were concluded unchanged. In the investment sector, despite a decline of a good 40%, attractive deals were also concluded with a volume totalling around €320 million. This still puts the market well above the levels seen before the record years of 2018/2019.

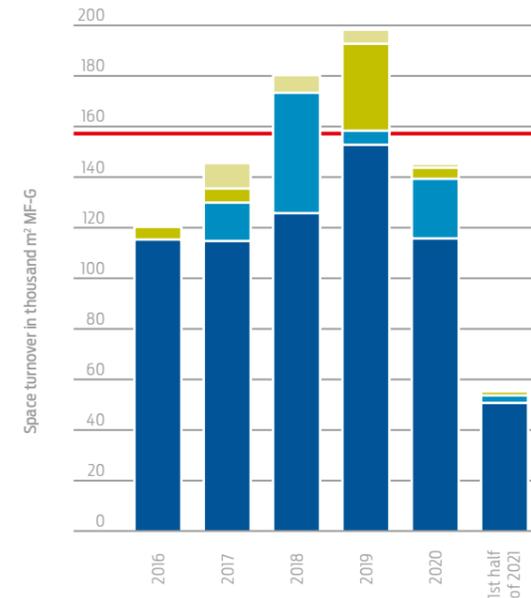
The first half of 2021 got off to a subdued start, with turnover at around 55,000 m² and peak rents remaining stable. It remains to be seen how office space turnover and rents will actually develop by the end of 2021. It is still unclear what effect the crisis-induced intensification of digital work practices and increased working from home (remote working) will have in the long term and whether the trend towards flexible office space rentals and co-working, which has also recently been observed in Hannover, will strengthen again after the crisis.

The fact that there are many development projects in the pipeline is cause for optimism. Office space totalling around 385,000 m² is expected to be completed by the end of 2023. The number of office employees in Hannover is expected to continue to rise in the coming years, so working from home and digitalisation are likely to only have a short-term and slight dampening effect on office rentals and project development volumes. Developments in the office property market are closely linked to overall economic development in the Hannover Region and in Germany. Market participants are currently generally optimistic about the future of the office property market.



HANNOVER REMAINS A SOUGHT AFTER AND BOUYANT OFFICE LOCATION DESPITE THE CORONA SLUMP.

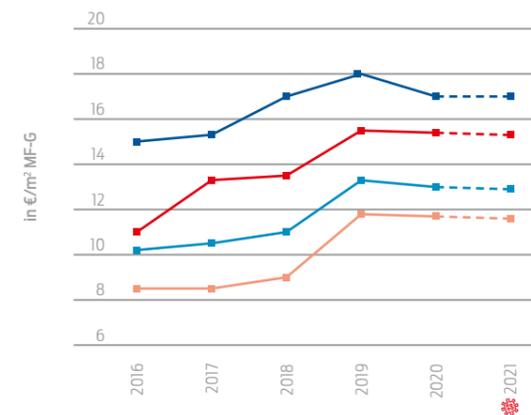
Office space turnover 2016 to 2021



■ Rental Hannover ■ Owner-occupier Hannover
■ Rental surrounding area ■ Owner-occupier surrounding area
— Average 2016 to 2020

Source: Hannover Region surveys; information from market participants Q2/2021

Office rents 2016 to 2021

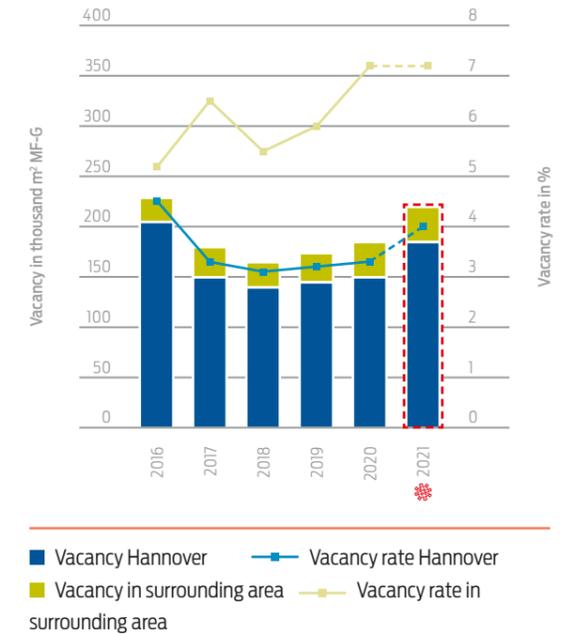


— Peak rent, city — Average rent, city
— Peak rent, city periphery — Average rent, city periphery

Source: bulwiengesa AG; Hannover Region surveys; information from market participants

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021

Office space vacancy 2016 to 2021



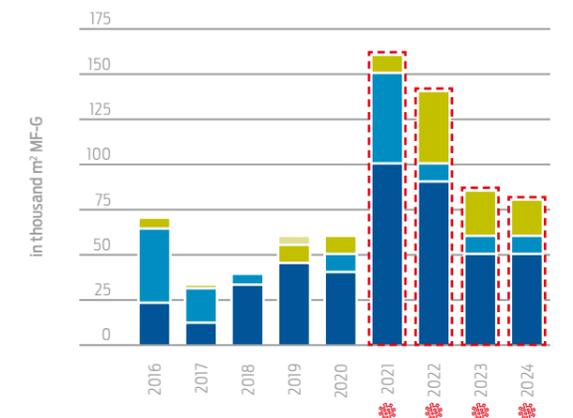
■ Vacancy Hannover — Vacancy rate Hannover
■ Vacancy in surrounding area — Vacancy rate in surrounding area

Note: The vacancy rate was calculated and updated on the basis of the 2019 office space survey for the Hannover market area. On the basis of the current survey, the vacancy figures updated since the 2015 survey using estimates were retroactively adjusted to the 2019 survey results.

Source: bulwiengesa AG; Hannover Region surveys; information from market participants, Q2/2021

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021

Completions 2016 to 2024



■ Newbuilds Hannover ■ Renovations Hannover
■ Newbuilds surrounding area ■ Renovations surrounding area

Source: Based on the bulwiengesa AG spring forecast Hannover Region surveys

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021

LOGISTICS- PROPERTY MARKET



Logistics and production

Logistics space available in 2021 in m ²	3.71 m
of which constructed after 2010	1.45 m
Logistics space turnover in 2020 in m ²	410,000
of which rentals	345,000
of which owner-occupied	65,000
Logistics space turnover 1st half of 2021 in m ²	195,000
of which rentals	175,000
of which owner-occupied	20,000
Rents in prime locations 2021	
Peak rent in €/m ²	5.30
Average rent in €/m ²	4.40
Net initial yield of logistics centres in prime locations 2021	4.3%

All figures refer to the Hannover Region.

Source: bulwiengesa AG; Hannover Region surveys; current space is an update based on space surveys from Q4/2019

Information from market participants Q2/2021

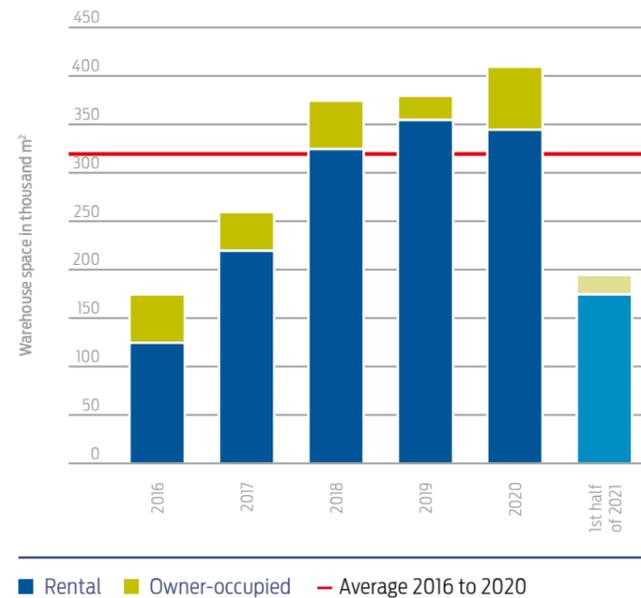
The Hannover Region is a European logistics hub and important hinterland port location for seaports in northern Germany. Commercial and industrial companies are the main drivers of demand in the regional logistics industry. In recent years, many contract logistics companies have established themselves at the location, carrying out logistics tasks for other companies and thus creating a high level of added value for themselves. Warehouse space turnover at the end of 2020 was at a high of 410,000 m².

In the past five years (2016 to 2020), around 620,000 m² of warehouse space for logistics and production has been built in the Hannover Region. Projects planned or already known for the years 2021 to 2023 add up to approx. 350,000 m² of warehouse space.



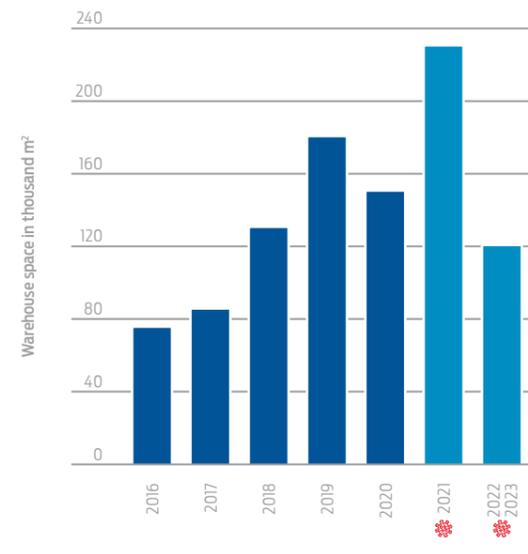
MARKET MOOD:
OPTIMISTIC,
SUSTAINED HIGH
MARKET ACTIVITY.

Logistics/production space turnover in the Hannover Region 2016 to 2021



Source: Hannover Region surveys and own calculations
Information from market participants Q2/2021

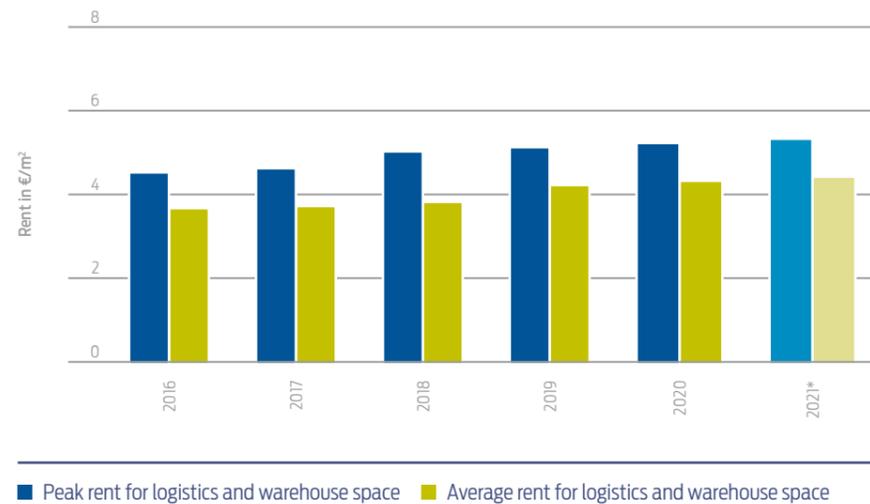
Logistics/production completions in the Hannover Region 2016 to 2023



Source: Hannover Region surveys and own calculations

* Data situation uncertain due to corona effects
Forecast based on currently known projections

Rents for logistics and warehouse space 2016 to 2021



Source: bulwiengesa AG

* Achievable rents based on information from market participants Q2/2021

MARKET MOOD AND TRENDS

A record turnover of around 410,000 m² of warehouse space (plus 30,000 m² or 8%) was again registered for logistics and industrial properties in 2020. Rents have remained largely stable, with the peak rent in 2020 at 5.20 €/m². 2021 already got off to a dynamic start with around 200,000 m² of warehouse space turnover recorded at mid-year, and both peak and average rents rising in the first half of the year (up 10 cents in each case). The corona pandemic seems to have had hardly any effect on activities in the logistics and production property sector. The persistent high rate of space turnover is placing constraints on supply.

Online retailing, which has grown as a result of the crisis, has strengthened upstream and downstream logistics. For property and logistics infrastructures designed primarily for industrial logistics, the situation is tense nationwide with the automotive sector being particularly hard hit. Despite this, project developers and

companies in the Hannover Region continue to be very active in this area, in contrast to the national trend.

Regional market players can foresee that in the medium to long term an increased demand for logistics and production space (for light industries) will arise by production being brought back to Europe. To improve supply chain security in retail and industry as a whole and make them more crisis-proof, increased logistical space requirements are also likely to arise in the Hannover Region. The huge increase in the importance of e-commerce during the corona crisis and the related impact on "the last mile" in the courier, express and parcel services sector are currently also clearly reflected in the demand for space.

A look at the investment market clearly shows that the importance of logistics and industrial property as an asset class is increasing.

Investments in this area in the Hannover Region in 2020 were second highest directly behind office properties, and increased significantly (to around €285 million, plus 68%).

Market participants are optimistic about the rest of 2021. Vacancies are at their lowest for years and rental prospects are without exception rated as good to very good. In the corona crisis, the logistics industry has not only proven itself to be strong and stable in the property market, but has also demonstrated its cross-sectoral importance for the regional economy. The continued increasing demand will soon become a challenge, as it is only possible to designate a limited amount of new commercial space. Reactivating brownfield sites is therefore likely to gain momentum in the coming years, and not just in the context of sustainability issues.



LOGISTICS AND INDUSTRY CONTINUE TO SIGNIFICANTLY INCREASE THEIR IMPORTANCE ON THE REGIONAL PROPERTY MARKET.

RESIDENTIAL PROPERTY MARKET

Residential

Rents 2021

Newbuild, peak rent in €/m ²	16.30
Newbuild, average rent in €/m ²	12.90
Re-let, peak rent in €/m ²	13.50
Re-let, average rent in €/m ²	9.50

Home buying 2021

Owner-occupied apartment, newbuild, prime group in €/m ²	6,400
Owner-occupied apartment, newbuild, average in €/m ²	4,900

Multipliers 2021

Apartment blocks / investment properties, newbuild, prime group	33.0
Apartment blocks / investment properties, newbuild, average	29.7
Apartment blocks / investment properties, stock, prime group	30.5
Apartment blocks / investment properties, stock, average	27.5

All figures refer to the State Capital Hannover.

Source: bulwiengesa AG; data from market participants Q2/2021

The residential property market in the Hannover Region is characterised by regional providers and demand from private households. Population growth in the state capital and neighbouring municipalities has led to rising demand in the residential property market in recent years. At the same time, housing completions in the city and surrounding area have been insufficient, so a considerable need for new housing exists at present and will continue in the future.

The corona crisis is not currently leading to a slowdown in demand or a decline in prices on the residential property market. On the contrary, an increased interest in housing can be observed.



MARKET MOOD:
OPTIMISTIC. NO NOTICEABLE
IMPACT FROM THE CORONA
CRISIS.

MARKET MOOD AND TRENDS

The residential property market is showing itself to be crisis-proof and undaunted by the effects of the corona pandemic. A brief corona slump at the beginning of the first lockdown was probably more due to a general wait-and-see attitude and initial uncertainty.

Supply and demand for residential real estate are currently strong. Purchase prices, rents and yield multipliers are stable to rising. In the coming years, the greatest challenge will still be meeting the demand for housing across all segments and price classes. No negative impact from the pandemic on ongoing and planned projects is currently discernible.

Regarding the quality of supply, residential building developers note above all an increased priority for optimal digital infrastructures and good accessibility of the residential area, also by foot and bicycle. Similarly, the increased space required for working from home is playing a stronger role in choosing a place to live. Living close to the workplace, on the other hand, is becoming less important from the point of view of market actors.

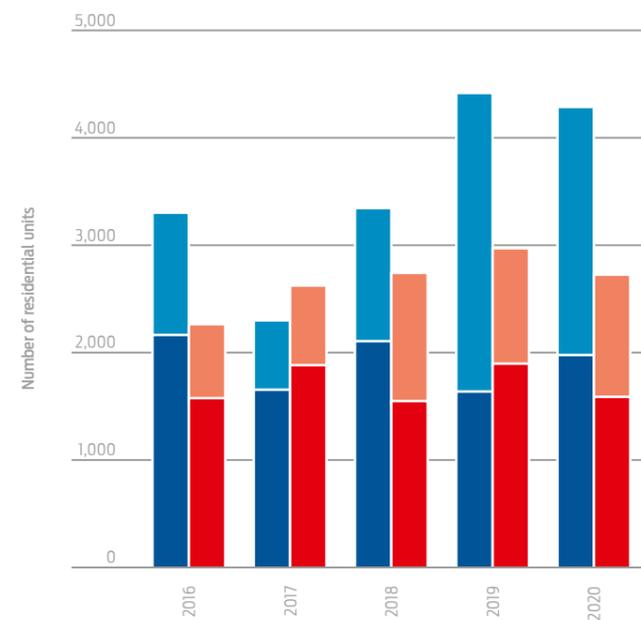
To meet the undiminished demand for affordable or subsidised housing, regional actors see a need for future action. From the perspectives of project developers and housing construction companies, any scope for increasing prices for privately financed apartments is almost exhausted. This is posing increasing problems for companies due to residential construction developments in the past having usually been possible through publicly and privately cross-financed projects.

Against this backdrop, the Hannover Region made fundamental adjustments to its housing subsidy programme in mid-2021, and the State Capital Hannover extended its successful



DIGITAL INFRASTRUCTURES AND EXTRA SPACE FOR WORKING FROM HOME ARE BECOMING PRIORITIES IN CHOOSING WHERE TO LIVE.

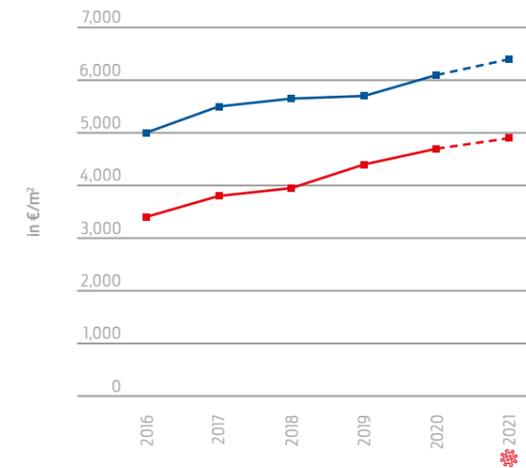
**Building permits and completions
City and Hannover Region 2016 to 2020
(based on residential units)**



- Permits surrounding area
- Permits Hannover city
- Completions surrounding area
- Completions Hannover city

Source: State Office for Statistics of Lower Saxony (Landesamt für Statistik Niedersachsen), 2021 (Construction of new residential and non-residential buildings; excluding construction measures on existing buildings and excluding residential homes; time series M8100116 and M8090116)

**Purchase prices of owner-occupied apartments
(newbuilds) in Hannover 2016 to 2021**

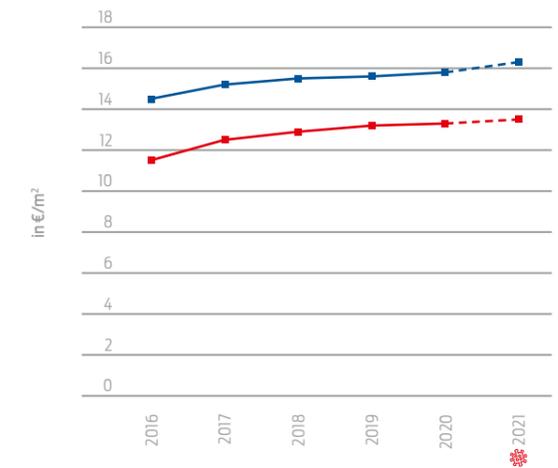


- Average
- Prime group

Source: bulwiengesa AG

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021

**Residential rents in the prime price segment
in Hannover 2016 to 2021**

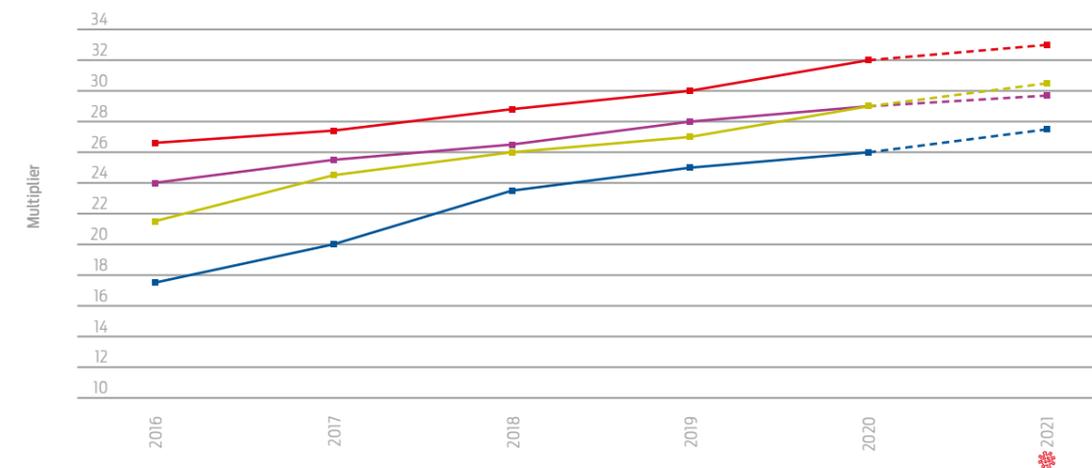


- Re-let
- Newbuild

Source: bulwiengesa AG

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021

Residential properties – Multipliers in Hannover 2016 to 2021



- Apartment buildings (existing) average
- Apartment buildings (existing) prime
- Apartment buildings (newbuild) average
- Apartment buildings (newbuild) prime

Source: bulwiengesa AG

🌸 Data situation uncertain due to corona effects, Forecast based on information from market participants Q2/2021



RETAIL PROPERTY MARKET

Retail

Sales area Hannover Region in m²	2.1 m
Surrounding area	1.15 m
Hannover city	0.84 m
of which inner city Hannover (Mitte district)	285,000
Retail centrality 2021 🌸 (Germany = 100)	
Hannover city	120.5
Surrounding area	107.5
Purchasing power 2021 in € 🌸	8.07 b
Hannover city	3.67 b
Surrounding area	4.40 b
Retail sales 2021 in € 🌸	7.18 b
Hannover city	3.67 b
Region (incl. Hannover city)	3.51 b
Rents 2021 🌸	
Peak rent, prime city location in €/m ² *	175
Average rent, prime city location in €/m ² *	135
Yields 2021 🌸	
Net initial yield in prime locations*	4.0%
Net initial yield in specialist retail centres	4.5%

* Bahnhofstraße, Große Packhofstraße, Georgstraße, Karmarschstraße

Source: Retail portfolio surveys commissioned by the Hannover Region, data at end of 2016; MB-Research 2021; estimates from market participants Q2/2021

🌸 Data situation uncertain due to corona effects

In terms of turnover, the Hannover Region is one of the strongest retail locations in Germany. Forecasts for 2021 put retail turnover in the Hannover region at around €7.2 billion. In addition to the Hannover city centre with its prime locations in Georgstraße, Große Packhofstraße, Karmarschstraße and Bahnhofstraße, Hannover's retail location is characterised throughout the region by specialist retail centres, shopping centres, city district locations and attractive town centres in the surrounding areas.

During the corona crisis, those locations with local shops supplying essentials particularly gained in customer popularity. Visitor numbers in the city of Hannover have recently returned to pre-corona levels. However, drastic structural and strategic changes are imminent in the city centre, not least due to the vacancy of the former Karstadt store in Georgstraße.



MARKET MOOD:
SOME SIGNIFICANT
DOWNTURNS.
ONLY SLOW EASING
ENVISAGED.

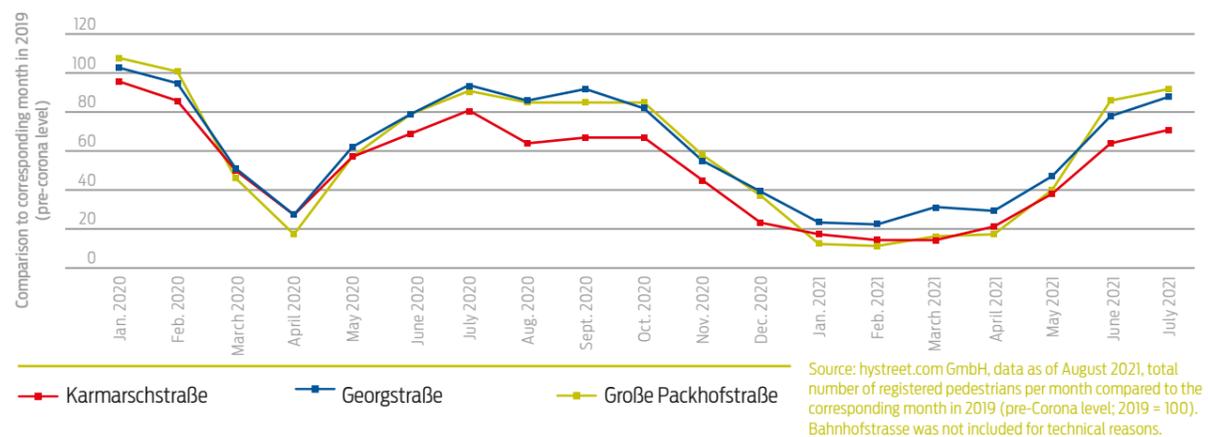
Retail indexes 2016 to 2021



Retail rents 2016 to 2021



Collapse and recovery of footfall in Hannover city centre in 2020/2021 compared to 2019



MARKET MOOD AND TRENDS

Since March 2020, combating the COVID 19 pandemic with several lockdowns between spring 2020 and early summer 2021 has led to an unprecedented deterioration in the economic situation of businesses, especially in traditional retail locations in the city centres of Hannover and the surrounding area. This has also impacted on new business with space turnover in the city centre falling by around 75% in 2020 compared to the previous year, to just over 2,000 m².

Food retailers and local shops, by supplying essentials, were able to escape the corona downward trend in the rest of the retail sector and, in some cases, substantially increased their sales. Such crisis-driven spikes in demand normalised comparatively quickly. In Hannover's city centre, trends were characterised by strong fluctuations. During the hard lockdowns in April 2020 and from December 2020 to April 2021, visitor numbers in the city centre declined by up to 90%. Overall, footfall in Hannover's city centre fell by around a third in 2020 compared to 2019, and by as much as two thirds in the first half of 2021 compared to the 2019 pre-corona levels. According to retailers, some of the sales losses are likely to be much greater.

Visitor numbers in the city centre are currently rising again towards pre-corona levels, and the consumer mood outside online retail seems also to be on the rise again. On the whole, signs point to an initial easing of the situation in traditional city centre retailing. Nevertheless, it will probably take some time before things return to normal. Revenue losses for tenants in recent months have also affected retail property owners, resulting in rent losses or requests for rent reductions. By mid-2021, rents, which were recently still estimated to be stable, had already fallen by around €10 to a peak of now €175 per m².

Many retail businesses are currently adopting a wait-and-see attitude. This should also have an impact on the demand for and positioning of retail properties on the investment market. How strong the impact will be and how long it will last is difficult to estimate at present. Sales of specialist retail centres and shops supplying essentials even resulted in an increased investment volume of around €75 million (plus €20 million) last year. However, the properties being sold were mainly those with users relevant to the local supply of essential goods.

Corona should however not be seen as the trigger for an unprecedented crisis in traditional retailing, but rather as an accelerator of existing trends. In Hannover's prime locations, a decline in rents had already been observable over recent years. Online retail is the current growth driver in the retail sector and can consolidate its position and expand at the expense of brick-and-mortar retailing. Insolvencies, particularly in the case of large department stores, fashion retail and catering, could lead to many concepts (including chain stores) permanently leaving the location. Businesses in city district locations and in integrated retail locations in the surrounding areas currently seem to be benefiting from their proximity to customers and their function as local suppliers of essentials.



CORONA CRISIS
ACCELERATING
RETAIL
TRANSFORMATION.

HOTEL PROPERTY MARKET

Owing to the pandemic, Hannover's tourism plummeted in 2020 as it did all over Germany. With overnight stays of around 2.1 million in the city and surrounding areas, the demand for tourism in the past year was at 1990s levels. As a trade fair city and a hotel location heavily dependent on business travel (approx. 80% of demand), the number of overnight stays in the city of Hannover fell even more sharply than in the surrounding area.

However, Hannover's general attractiveness as a destination is still evident when looking at project developments in the hotel property market. Six hotel projects were completed in 2020 and 2021, and another two in Hannover are under construction and will be operational in 2022. These eight hotels together have approximately 1,300 rooms. A further twelve hotels, increasing bed numbers by up to 2,000 over the next three to five years, are in the pipeline. However, it is currently unclear whether all the projects will be completed as planned.



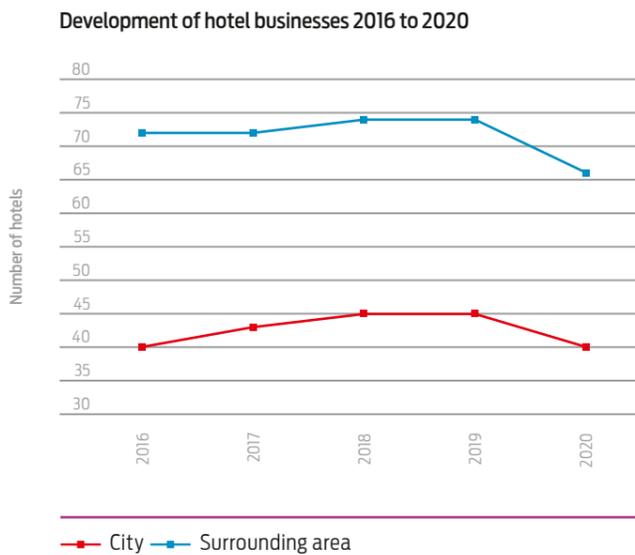
MARKET MOOD:
THE CRISIS IS HITTING THE ENTIRE SECTOR HARD. IMPROVEMENTS ONLY ENVISAGED IN THE MEDIUM TERM.

Source: State Office for Statistics of Lower Saxony [Landesamt für Statistik Niedersachsen]; Fairmas, Q2/2021

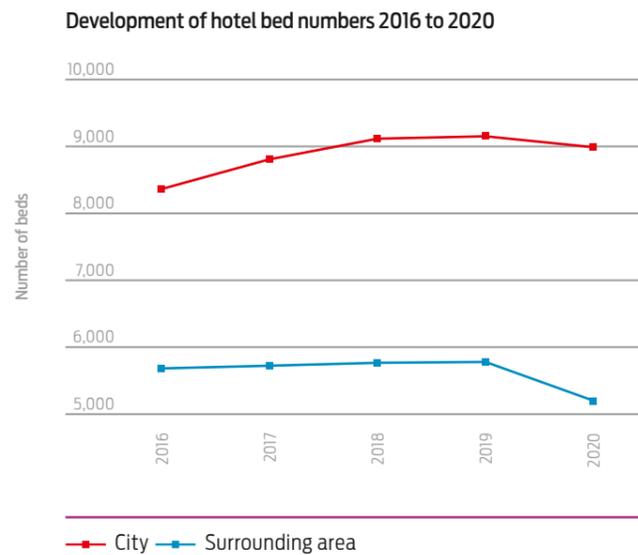
☼ Data for the hotel market refers to the annual average.

Hotel	
Number of tourist accommodation establishments 2020 ☼	309
Hannover city	99
Surrounding area	210
Hotels 2020 ☼	106
Hannover city	40
Surrounding area	66
Number of beds (all accommodation types) 2020 ☼	27,142
Hannover city	13,506
Surrounding area	13,636
Number of hotel beds 2020 ☼	14,186
Hannover city	8,989
Surrounding area	5,197
Nights (all accommodation types) 2020	2.11 m
Hannover city	1.00 m
Surrounding area	1.11 m
Nights in hotels 2020	1.11 m
Hannover city	0.63 m
Surrounding area	0.48 m
Arrivals (all accommodation types) 2020	1.03 m
Hannover city	0.57 m
Surrounding area	0.46 m
Average length of stay in days (all accommodation types) 2020 ☼	
Hannover city	1.8
Surrounding area	2.2
Key figures for hotel chains, Hannover city (Fairmas) 2020 ☼	
Occupancy rate, 2020 average	32.0%
Room price, 2020 average in €	82.80
RevPAR (revenue per room), 2020 average in €	26.50
Net initial yield hotel in 2020	5.0%





Source: State Office for Statistics of Lower Saxony 2021, (annual average values, based on open hotels (excluding hotel garnis))



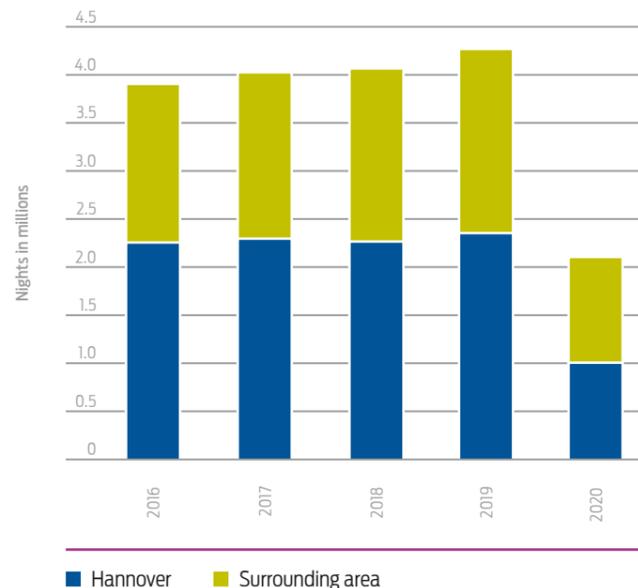
Source: State Office for Statistics of Lower Saxony 2021, (annual average values, based on open hotels (excluding hotel garnis))

Key data for the Hannover hotel market 2016 to 2020

	2016	2017	2018	2019	2020
Hotels	40	43	45	45	40
Average occupancy in %	63.3	64.8	63.6	65.7	32.0
Average room price in €	99.30	101.60	104.50	103.40	82.80
RevPAR (revenue per available room) in €	62.80	65.10	66.40	67.90	26.50
Average stay (in days)	1.7	1.7	1.7	1.7	1.8
Beds in hotels	8,357	8,806	9,118	9,154	8,989

Source: Figures for Hannover city; State Office for Statistics of Lower Saxony, Fairmas performance indicators for the hotel chain industry, 2021

Overnight stays in the Hannover Region 2016 to 2020



Source: State Office for Statistics of Lower Saxony [Landesamt für Statistik Niedersachsen], 2021, Table K7360001

MARKET MOOD AND TRENDS

Hannover's tourism has grown steadily in recent years. The number of overnight stays in the city and surrounding areas exceeded 4 million per year in 2019. Business travellers coming to Hannover, especially for the major trade fairs, were not the region's only visitors. An increasing number of city tourists had also been discovering the Hannover Region.

In 2020, numbers dropped to only around 2.1 million guests, and occupancy also fell by more than half. The economic situation for many businesses is more than tense with the first major hotel business announcing that it will permanently cease operations. An absence of business travellers, cancellations of trade fairs and other major events, as well as travel restrictions, have placed extreme pressure on hotels. Easing of restrictions has only partially alleviated the situation.

The sharp drop in demand led to an average room occupancy rate in Hannover of 32%. Compared to the previous year, the rate has therefore fallen by 51%. Because of a lack of events and business guests, the average room rate fell by almost 20% to €82.80. In April 2020, when the Hannover Messe would have normally taken place, net room rates fell by €260 to €87 (in April 2019, the figure was €347).

As a result, the average revenue per available room (RevPAR) in 2020 in Hannover was a low €26.50 and thus far below the revenues

needed to cover costs, let alone make a profit. Despite all the difficulties, several hotels with new concepts opened in 2020, so that the number of beds on offer in hotels in Hannover City declined by only around 165 (to around 8,990 beds). In the medium term, rapid recovery of the market is not to be expected. Trade fair business in 2021 will again lack the usual demand and the supply of beds will continue to increase if the new hotels under construction or development in Hannover are completed as planned.

The extent to which the existence of the regional hotel industry is actually at risk depends to a large extent on further incidences of the virus as well as on the prospects of a market recovery. By mid-2021, only around 670,000 overnight stays were registered in the Hannover Region. Many of the leading trade fairs held in Hannover have been postponed until 2022. Visitors to the city will only compensate to a limited extent for the lack of business visitors, especially since reasons to visit the city, such as sporting and cultural events, will probably only have a limited impact on the market's recovery in 2021.

These challenges will have to be addressed by property owners and potential property investors. In recent years, hotels have been among an increasingly sought-after asset class, also in Hannover. Whether the many projects in the pipeline will actually be carried out remains to

be seen. Hotel projects already initiated in Hannover and the surrounding area, fully financed and operator-secured, seem to be on track. However, the future of new projects is difficult to assess for operators, investors and capital providers.

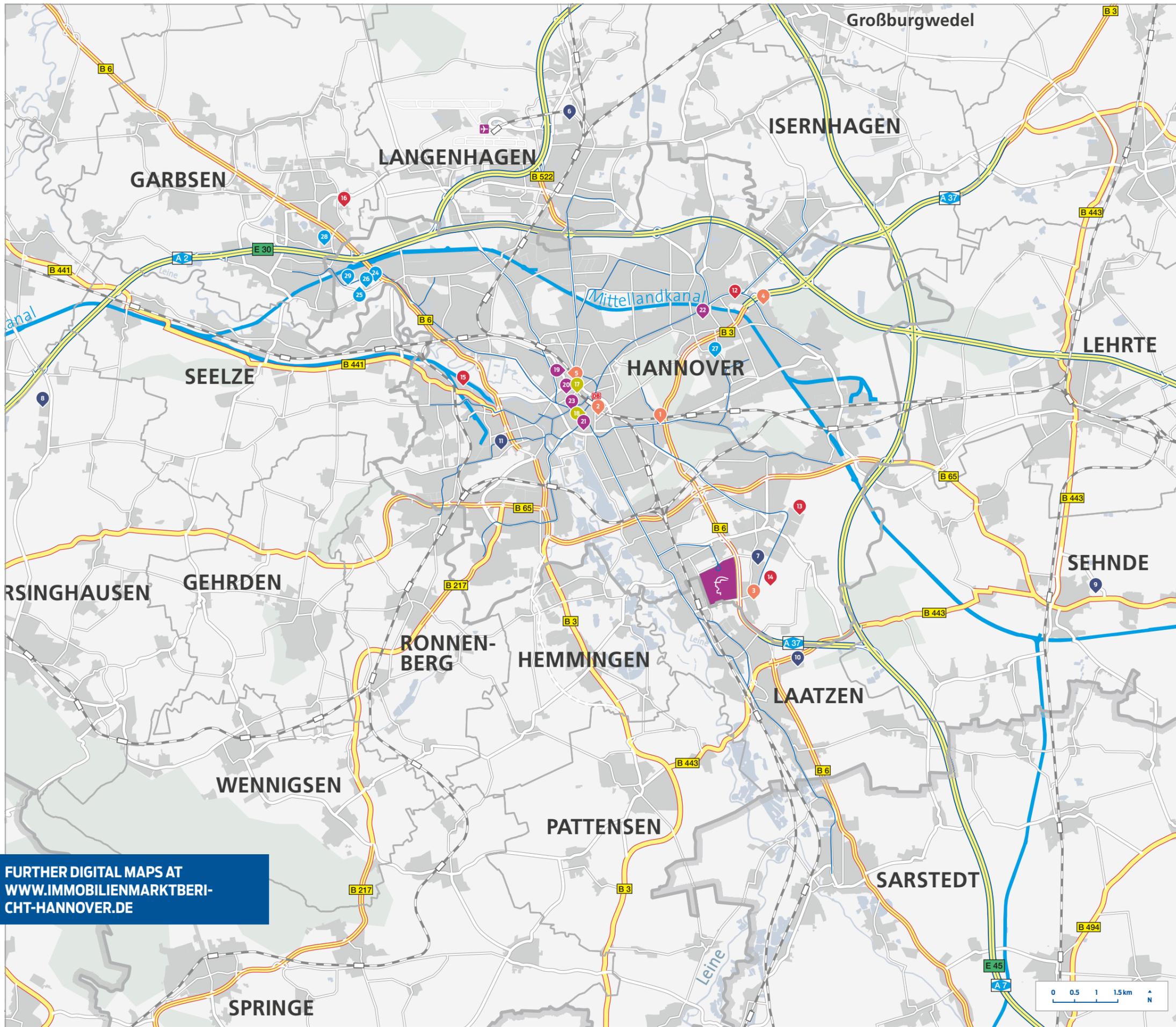
In 2020, hardly any transactions in hotels took place in Hannover. And Hannover is not alone here. Across Germany, transaction volumes in the hotel market slumped by more than half (minus 60%). The increased market momentum that had been anticipated back in 2019 is therefore no longer envisaged for the time being. Investors will need to factor these increased risks into their investment considerations, with corresponding consequences on returns.

All regional market players expect that the hotel industry and thus the hotel property market will take the longest to recover from the impact of the corona crisis. Nevertheless all actors, including those from the hotel and event industry, are confident that Hannover as a destination will be ready as soon as visitor and event numbers begin to recover.



Centro-Hotel, Weidendamm, Hannover, Aurelis Real Estate Service GmbH

DESPITE ALL THE DIFFICULTIES, SIX HOTELS WITH NEW CONCEPTS OPENED IN 2020 AND 2021.



HANNOVER AS A PROPERTY LOCATION: SELECTED PROJECTS

Office

- 1 ● Continental AG
- 2 ● Joachims Carrée
- 3 ● Torhaus Expopark
- 4 ● H3ö office quarter
- 5 ● Office project at the main freight station

Science & economy

- 24 ● Faurecia innovation centre
- 25 ● Technopark
- 26 ● TECHNOLOGIE ZENTRUM in the Hannover Science and Technology Park
- 27 ● Centre for Individualised Infection Medicine (CiIM)
- 28 ● Extended areas for technology park on the Garbsen engineering campus
- 29 ● OPTICUM-Optics University Center and Campus

Logistics & industry

- 6 ● UPS Super Hub
- 7 ● Verdion ExpoPark
- 8 ● Logistics and manufacturing centre for ID-Buzz components (Volkswagen Commercial Vehicles)
- 9 ● Logistics park for Delticom (and other users)
- 10 ● VGP Park (for EDEKA, Connox and KraussMaffei Bersdorff and others)
- 11 ● UnternehmerPark Altes Stahlwerk

- Completion 2021
- Under construction / start of construction 2021
- In planning from 2022

Key

- ✈ Airport
- 🏛 Exhibition grounds
- DB Central station / National rail
- Light rail
- S-Bahn metropolitan rail
- City boundaries

Residential

- 12 ● Buchholzer Grün
- 13 ● ecovillage
- 14 ● Kronsrode
- 15 ● Wasserstadt Limmer
- 16 ● Berenbostel East

Retail and gastronomy

- 17 ● C&A (partial conversion for REWE, dm-drogerie markt, Woolworth)
- 18 ● Galerie Luise

Hotel

- 19 ● Centro Hotel
- 20 ● NH Hotel
- 21 ● Motel One
- 22 ● Zleep Hotel
- 23 ● Hotel am Steintor

FURTHER DIGITAL MAPS AT
WWW.IMMOBILIENMARKTBERICHT-HANNOVER.DE

IMPRINT



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Region president
Business and employment promotion department

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