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September 2022 issue

PROPERTY MARKET REPORT 2022

BUSINESS PROMOTION



Region Hannover

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CURRENT PROJECTS AT
WWW.IMMOBILIENMARKTBERICHT-HANNOVER.DE



ROBUST AND RESILIENT:
LONG-TERM PLANNING AND
DEVELOPMENTS HELPING
HANNOVER AS A PROPERTY
LOCATION COPE WITH
CHALLENGING TIMES.

Cover: Wasserstadt Limmer site

THE PROPERTY MARKET IN THE HANNOVER REGION



Dear Reader,

In 2022, the property market in the Hannover Region got off to a more subdued start than expected following the two patchy years of the COVID-19 pandemic. The highly successful pre-COVID years means any fall would be steep. Further uncertainties following the initial upheavals brought about by the corona virus are now exacerbating the challenges for all participants.

The economic crisis triggered by the pandemic primarily impacted the retail and hotel and gastronomy property submarkets, but inflation, rising interest rates, soaring energy costs and disruptions in globally interconnected logistics chains are currently causing the first signs of a slowdown in the other submarkets as well.

Hannover is considered an important property location in Germany. Technology, research and development are providing strong anchors in stormy times. What can we now expect in 2022 and 2023? Despite all the uncertainties, for many years we have very successfully focused on our strengths as a location and as a regional property market. We are thereby benefiting from long-term planning and development, and will thus be able to demonstrate the area's much-vaunted resilience.

Current developments on the Hannover property market have been evaluated and classified using well researched data and assessments by experts active in the region, and from a wide range of businesses and institutions. Especially in times of crisis, the cooperation within the regional property sector has been proving its worth. Contributing to this year's report as dependable partners have been 27 property businesses – more than ever before. They have worked together with the state capital and the Hannover Region, with further assistance from bulwiengesa AG, to produce the 20th issue of this report.

This makes the property market report more than just a compilation of data – it testifies to the committed and trusting cooperation of Hannover's property sector and its shared endeavour to achieve market transparency.

Ulf-Birger Franz

Head of Business, Transport and Education
Hannover Region

Anja Ritschel

Head of Business and Environment
State Capital Hannover



INVEST- MENT MARKET



€520 MILLION
INVESTMENT
TURNOVER IN
2021: INVESTMENT
VOLUME STABILISES
AT A LOW LEVEL.

View from ExpoPark towards the Kronsberg-Süd development area. Hy_Live in foreground.

› At home in the capital of Lower Saxony and the Han-
nover Region are world-renowned brands, a strong
economy of small and medium-sized enterprises, and
outstanding research institutions. More than 50,000
companies employing around 525,000 people make Han-
nover the key economic area in Lower Saxony. Positive
trends in recent years have brought sustained demand

for property across all submarkets and consolidated
and expanded Hannover's position as Germany's most
important location after the seven main A-cities. Han-
nover offers highly interesting investment opportunities
and attracts national and international investors seeking
high-value locations.

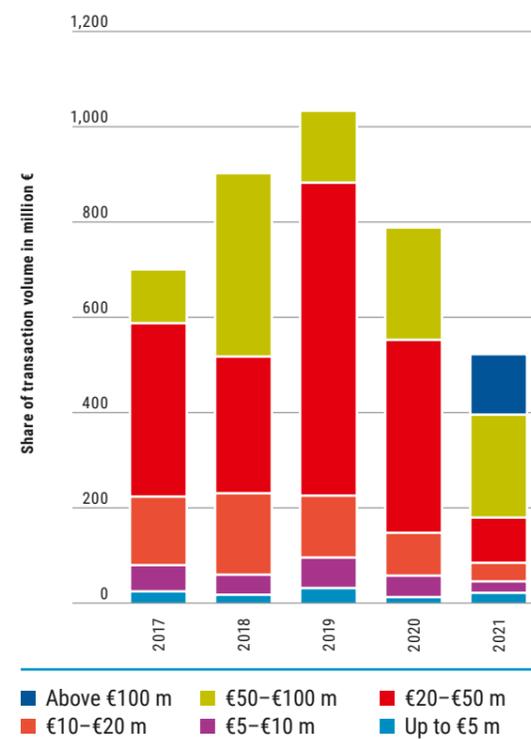
MARKET MOOD AND TRENDS

The exceptionally long boom in the German investment market, which since 2010 has had falling yields and, including in Hannover, rising investment volumes, appears to have come to a halt for the time being. While an interest rate turnaround and a potential correction in property markets has been expected for some time, the momentum with which this is happening is surprising. Within a few months, the investment market environment has changed dramatically. Corresponding adjustments and the associated uncertainties are resulting in low transaction activity, especially in B-locations such as Hannover.

Investment pressure on many investors remains high. Office space turnover in the region has remained comparatively stable to date, with logistics properties even achieving record turnovers in 2021. The outlook for rental growth has actually recently improved for prime properties in the office and logistics submarkets. Whatever the submarket, no current core project is ignoring the issue of sustainability. ESG goals are therefore being addressed, thus perfectly coinciding with investor demand.

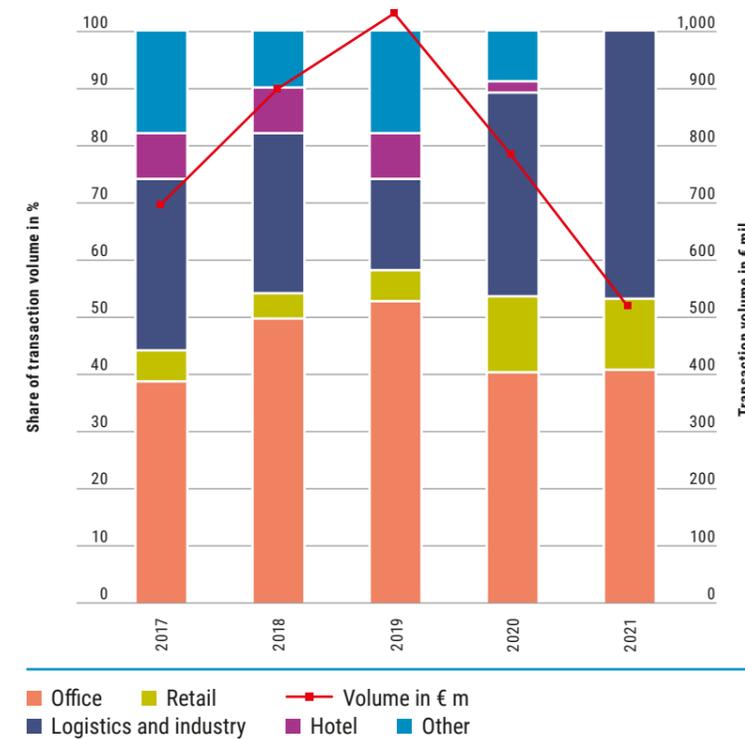
According to regional market actors, the significant decline in the number of completed transactions is primarily due to differences in price expectations between buyers and sellers. A reluctance to pay is currently clashing with high purchase price expectations, with little or only very slow movement between the two sides. Until this gap closes, few transactions are likely to be concluded in the future. Given the small number of ongoing and newly initiated sales, transaction volumes will remain comparatively low by the end of the year.

**Transaction volume for commercial property market
Distribution according to size classes 2017 to 2021**



Source: bulwiengesa AG, data for the Hannover Region, data as at Q2/2022

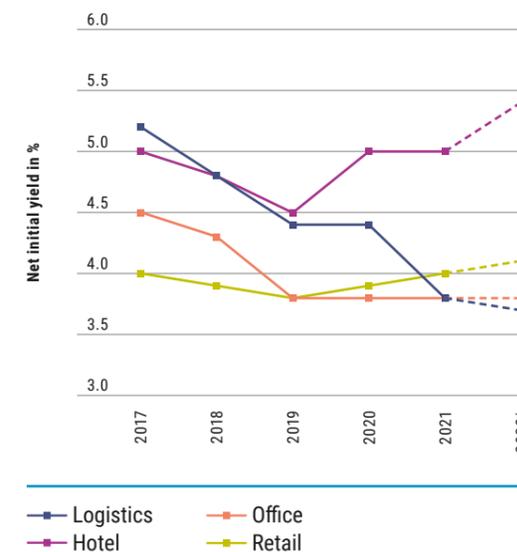
**Transaction volume for commercial property market
Distribution according to submarkets 2017 to 2021**



Source: bulwiengesa AG, data for the Hannover Region, data as at Q2/2022



**Net initial yields in prime locations 2017 to 2022
Hannover commercial property market**



Source: bulwiengesa AG, data as at Q2/2022
For yield spreads, the lower end points are always given.
* Forecast based on information from market participants

Short- and long-term market developments are clearly leaving their mark. Interest rates, inflation, energy prices and the consequences of the war in Ukraine, as well as the ongoing corona pandemic and the advancing climate crisis, are unsettling many potential investors who are adopting a wait and see approach to the market. At present, the escalating crises and challenges seem to have too much uncertainty and unpredictability about them. As soon as things settle and stabilise, buyers can be expected to return to the regional market and price expectations on both sides will adjust accordingly. Distress sales of core projects are therefore not to be expected. However, some developments could see changes in usage and valuations when the combination of rising construction costs, interest rates and narrowing exit factors mean that calculations based on previous assumptions no longer apply.

**FULL PIPELINE:
DIVERSE AND TIMELY
NEW AND CORE
QUALITY PROP-
ERTIES IN THE
HANNOVER MARKET**



Office

Office rental space 2022 in m² MF-G*	5.27 m
Hannover city	4.74 m
Surrounding towns of Garbsen, Laatzen and Langenhagen	0.53 m
Office space turnover 2021 in m² MF-G*	135,000
Hannover city	124,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	11,000
Office space turnover H1/2022 in m² MF-G*	45,000
Hannover city	40,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	5,000
Vacancy rate 2022 in m² MF-G*	220,000
Hannover city	185,000
Surrounding towns of Garbsen, Laatzen and Langenhagen	35,000
Vacancy rate 2022	4.2%
Hannover city	3.9%
Surrounding towns of Garbsen, Laatzen and Langenhagen	7.2%
Peak rent 2022 in m² MF-G*	
City	18.50
city periphery	15.50
Average rent 2022 in m² MF-G*	
City	13.00
city periphery	11.60
Net initial yield in prime city locations 2022	3.8%

Source: bulwiengesa AG; Hannover Region surveys; information from market participants; data as at Q2/2022

* Commercial rental space calculation according to the guidelines of the gif Gesellschaft für immobilienwirtschaftliche Forschung e.V.



MARKET MOOD:
SUBDUED START,
GENERAL OPTIMISM

OFFICE PROPERTY MARKET

MARKET MOOD AND TRENDS

Those acting more cautiously at the moment are primarily potential users of larger spaces. As in many other locations in Germany, office space enquiries are showing a reduced tendency than in the years prior to the pandemic. Some large users are increasingly delaying their decisions to rent, especially in view of current uncertainties. In the opinion of market participants, this means that some project developments planned for the next few years are not yet securing core tenancies and that major transactions are currently likely to be postponed until the second half of 2022 due to prolonged negotiations.

Against this backdrop, annual figures for the office property market in 2021 again show a decline compared to 2020, even when the dip is comparatively small. **Office space turnover** was around 135,000 m² at the end of 2021 – a decline of around 7% (10,000 m²). Turnover is therefore approx. 16% below the five-year average of around 160,000 m². The start of the first six months of 2022 has also been subdued, with turnover of around 45,000 m² – in 2021, half-yearly turnover was around 55,000 m².

Vacancy rates have again fallen slightly to 3.9% in the city of Hannover in 2022 following a strong increase (from 3.3% to 4% in 2021). Demand is primarily for high-quality space in well-integrated locations and for project developments whose location makes them especially suited to companies with substantial research and development activities in the technology sector. This is also reflected in **peak rents**. By mid-2022, prices increased to €18.50/m² in city centre locations – an increase of 50 cents.

Peak rent trends have been highly positive across all locations over recent years. However, city periphery and arterial road locations are currently coming under slight pressure with rents falling to €15.50/m² (down 50 cents). This means a return to 2019 levels, but still around €2 higher than five years ago. These locations currently have only a limited supply of new space available at short notice. However, several new developments are in the pipeline and are likely to encourage rent rises in these locations in the medium term.

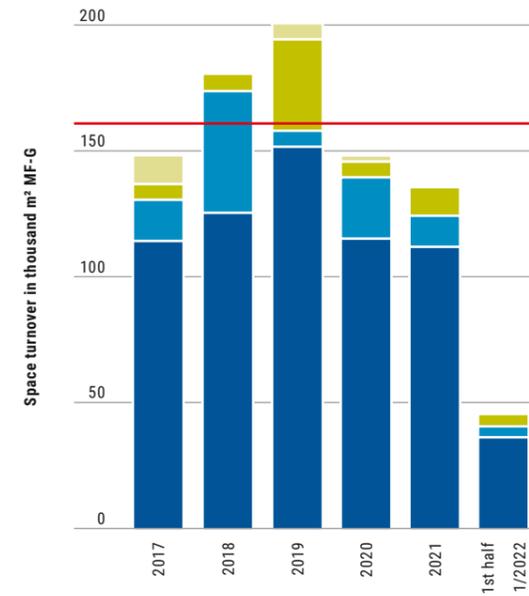
Long-term rented properties in sought-after locations continue to be very popular with investors. **Peak yields** remain at a low 3.8%. In the office market, **transactions** with a total volume of only around €215 million were recorded last year. Interest from investors remains high, but they are adopting a wait-and-see approach. Many of the projects currently being completed have also already been sold. With few ongoing and newly initiated sales processes, transaction volumes will remain comparatively low by the end of 2022.

A full pipeline of project developments is giving market participants cause to be pragmatically optimistic. Such optimism is well founded: by the end of 2025, office space totalling around 415,000 m² is expected to be completed. Slight increases in the number of office workers in Hannover are expected over the next few years, so volumes of office lettings and developments are likely to stabilise at around 2020/2021 levels. Office property developments are, however, closely linked to overall economic developments in the Hannover Region and in Germany, and it is clear that circumstances in the property market and economy as a whole continue to be challenging.



HANNOVER REMAINS A SOUGHT-AFTER AND ATTRACTIVE OFFICE LOCATION.

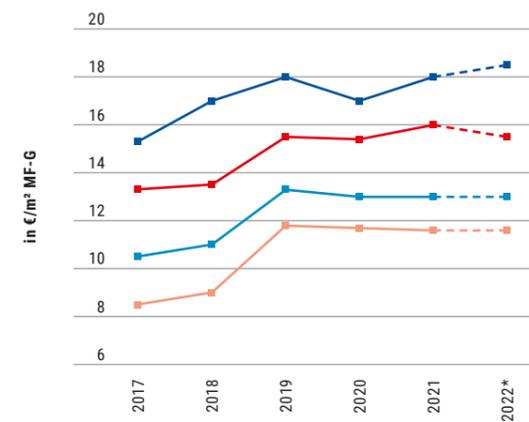
Office space turnover 2017 to 2022



■ Rental Hannover ■ Rental surrounding area
■ Owner-occupier Hannover ■ Owner-occupier surrounding area
— Average 2017 to 2021

Source: Hannover Region surveys; information from market participants
Data as at Q2/2022

Office rents 2017 to 2022

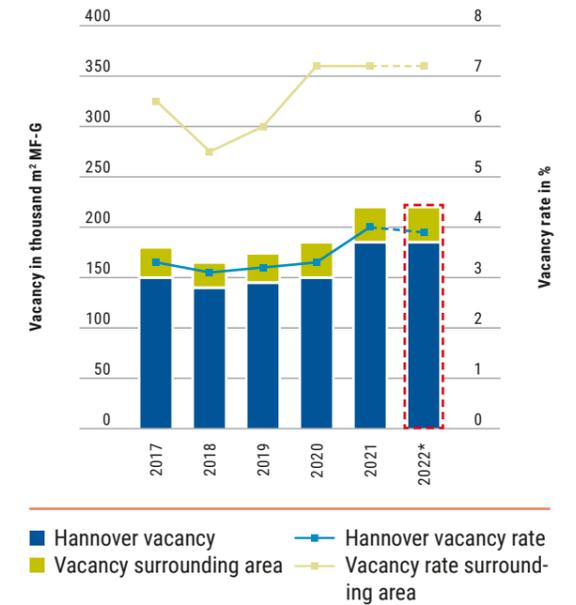


■ Peak city rent ■ Average city rent
■ Peak city periphery rent ■ Average city periphery rent

Source: Hannover Region surveys; information from market participants
Data as at Q2/2022

* Forecast based on information from market participants

Office space vacancy 2017 to 2022

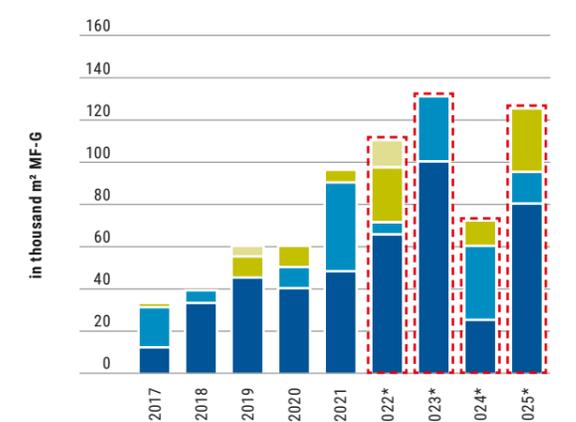


Note: The vacancy rate was calculated and updated on the basis of the 2019 office space survey for the Hannover market area. On the basis of the current survey, the vacancy figures updated since the 2015 survey using estimates were retroactively adjusted to the 2019 survey results.

Source: Hannover Region surveys; information from market participants
Data as at Q2/2022

* Forecast based on information from market participants

Completions 2017 to 2025



■ Hannover newbuilds ■ Hannover renovations
■ Newbuilds surrounding area ■ Renovations surrounding area

Source: bulwiengesa AG; Hannover Region surveys;
data as at Q2/2022

* Forecast based on information from market participants

LOGISTICS PROPERTY MARKET



Logistics and production

Logistics space available in 2022 in m²	3.9 m
of which investable space (built after 01/2011)	1.6 m
Logistics space turnover in 2021 in m²	425,000
of which rentals	325,000
of which owner-occupied	100,000
Logistics space turnover H1/2022 in m²	150,000
of which rentals	125,000
of which owner-occupied	25,000
Rents in prime locations 2022	
Peak rent in €/m ²	5.50
Average rent in €/m ²	4.60
Net initial yield of logistics centres in prime locations 2022	3.7%

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.

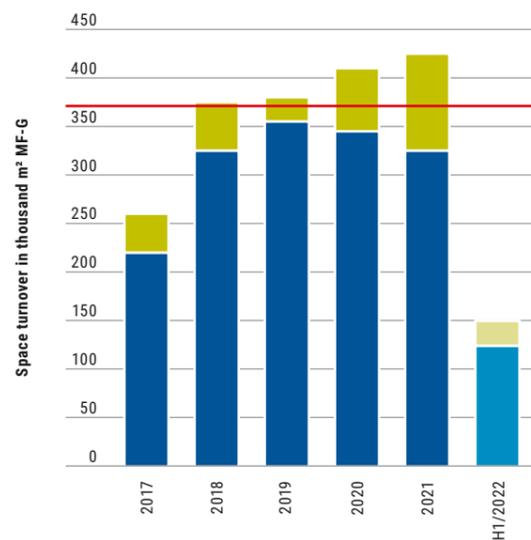
Information from market participants Q2/2022

The logistics property market continues to boom. The Hannover Region a key national and European logistics hub within Germany's logistics regions and an important port hinterland location for seaports in northern Germany. Industrial and logistics properties are in particular demand from retail and industrial businesses. Many downstream contract logistics companies, courier, express and parcel service providers have settled at the location and/or expanded their service portfolio. Key features of the market are the regional logistics industry's own high level of added value and that it has long since ceased to be a just provider of warehousing and transport services. The sector has had several highly dynamic years, with space turnover again reaching an all-time high of 425,000 m² at the end of 2021.



**MARKET MOOD:
OPTIMISTIC AND
SUSTAINED HIGH LEVEL
OF MARKET ACTIVITY**

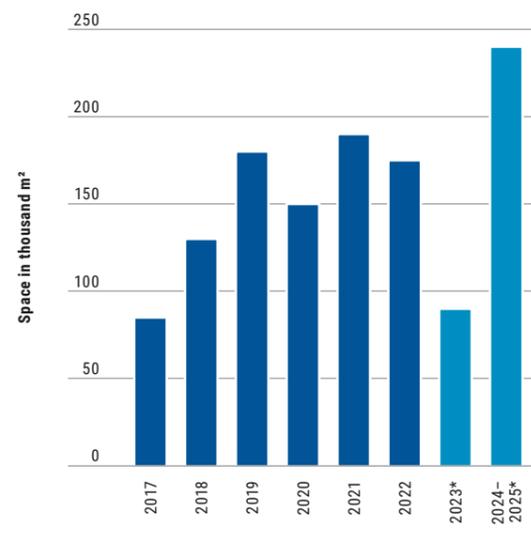
Logistics/production space turnover in the Hannover Region 2017 to 2022



■ Rental ■ Owner-occupied
— Average 2017 to 2021

Source: Hannover Region surveys and own calculations
Information from market participants Q2/2022

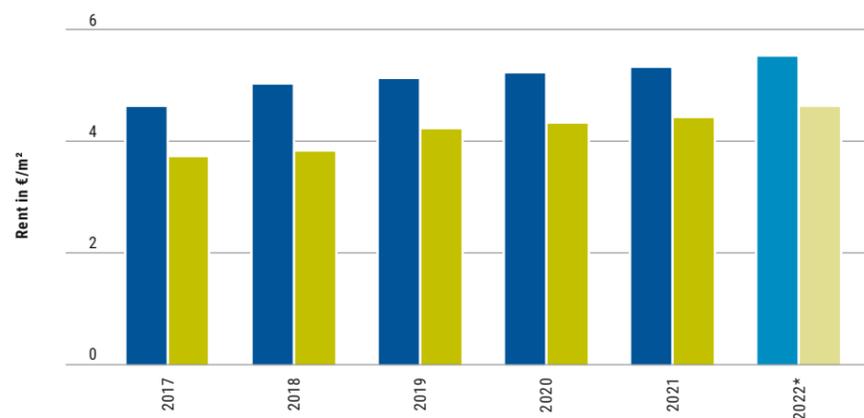
Logistics/production completions in the Hannover Region 2017 to 2025



Source: Hannover Region surveys and own calculations, data as at Q2/2022*

* Forecast based on currently known projections

Rents for logistics and warehouse space 2017 to 2022



■ Peak rent for logistics and warehouse space ■ Average rent for logistics and warehouse space

Source: bulwiengesa AG

* Achievable rents based on information from market participants Q2/2022

MARKET MOOD AND TRENDS

Market participants have been observing for several years a strong increase in demand for logistics and production space in the region. Since 2018, annual demand has stabilised at around 400,000 m². The stable and high demand is being met by a supply of as-new existing properties and project developments. In the past five years (2017 to 2021), around 735,000 m² of **space for logistics and production** has been built in the Hannover Region. Projects planned or already known for the years 2022 to 2025 total around 500,000 m² of space.

Logistics and industrial properties again registered record turnovers of around 425,000 m² of space in 2021 – an increase of around 4% or 15,000 m². Peak rents increased slightly to €5.30/m² by the end of 2021 (up 10 cents). 2022 had a more subdued start – around 150,000 m² of space turnover was recorded by mid-year, but both peak and average rents strengthened through the first half of the year (up 20 cents in each case).

Over the past two years, challenges for the logistics sector and industry have continued to grow: the temporary border closures during the first wave of the pandemic, followed by global supply chain disruptions, including at the Suez Canal, in China and in recent months due to the war in Ukraine. Demand pressure continues because regional industry is being increasingly strengthened by production being

brought back or set up in Europe, for example in the regionally important automotive industry. Supply chains, not only in retail but also in industry, are becoming increasingly secure and crisis-proof. As a result there continues to be increased demand for space, growth of e-commerce and the high utilisation of logistics infrastructures in the courier, express and parcel services sector.

Market players already view the Hannover Region as a strong and resilient location for logistics and industry. Policy-makers and public administrators have responded in recent years with a more sustainable land policy: as well as more economical and targeted new land use planning, there has been a greater focus on regenerating derelict industrial sites. Municipalities are pursuing systematic commercial land strategies to secure commercial land in a targeted way and to facilitate integrated solutions, rather than focusing on designating new commercial premises on greenfield sites. In the coming years, sustainability requirements will continue to increase; municipalities and businesses will focus even more on revitalising existing buildings and pre-used commercial sites.

The impact of the corona pandemic on the property market in Germany has shown that it is mainly logistics and corporate properties among the commercial property types that are experiencing stable and high demand –

despite some significant declines in foreign trade in 2020, which returned to above pre-crisis levels already in 2021. Market participants are therefore actually optimistic about 2022. Vacancy rates are lower than they have been for years. Rental prospects, without exception, are considered to be good to very good. Nevertheless, the extent to which logistics and industrial customers will specifically suffer from the worsening energy crisis and how far this will lead to a short-term decline in demand on the property market remains to be seen.

The Hannover Region has so far been able to benefit from growing demand for space in logistics and industrial properties and to attract investors: industrial and logistics properties valued at around €245 million were transacted here last year. Investment in this asset class therefore even exceeded that of office properties in the Hannover Region in 2021.



VGP-Park, Laatzen

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

RESIDENTIAL PROPERTY MARKET



Residential

Rents 2022

Newbuild, peak rent in €/m ²	16.50
Newbuild, average rent in €/m ²	13.10
Re-let, peak rent in €/m ²	13.70
Re-let, average rent in €/m ²	9.60

Home buying 2022

Owner-occupied apartment, newbuild, prime group in €/m ²	6,600
Owner-occupied apartment, newbuild, average in €/m ²	5,250

Multipliers 2022

Apartment blocks / investment properties, newbuild, prime group	33.5
Apartment blocks / investment properties, newbuild, average	29.7
Apartment blocks / investment properties, stock, prime group	30.2
Apartment blocks / investment properties, stock, average	27.0

All figures refer to the State Capital Hannover.

Source: bulwiengesa AG; data from market participants Q2/2022

The residential property market in the Hannover Region is characterised by regional providers and demand from private households. Population growth dynamics in the state capital and neighbouring municipalities has led to rising demand in the residential property market in recent years. Meeting the continuing demand for housing across all supply segments and price categories remains a major challenge in view of rising prices, interest rates and energy costs.



MARKET MOOD:
BASICALLY OPTIMISTIC,
BUT CHANGING GENERAL
CONDITIONS ARE LEADING
TO MOMENTUM COOLING.

MARKET MOOD AND TRENDS

Prices in the residential property market have continued to rise over the past twelve months – despite being at an already high level and despite sharply rising interest rates, and construction and energy costs. However, the rate of price increase has slowed and general conditions have changed significantly. The momentum of recent years in rents, yields and purchase prices is currently slowing so that a cooling of the market is to be expected in the medium to short terms.

Under current financing and construction conditions, purchase budgets are falling for private households in general, and overall returns are falling for institutional investors, project developers, housing companies and cooperatives. High interest rates in particular are leading to a noticeable decline in purchase demand, and unabated price increases are becoming less likely. The rental market is also coming under greater pressure. The potential for rent increases is lower due to the high energy costs, a significant part of utility costs. If more buildings underwent energy refurbishment, pressure on existing buildings could be reduced through lower energy utility costs. However, no short-term improvement is foreseeable here due to the enormous demand for refurbishment work as well as the rising costs of building materials.

The potentially negative impacts outlined above are not yet apparent in ongoing projects and those already long in planning. Most of these are already under construction and investor and private household financing has been secured under former conditions. Downturns are conceivable in 2023, but no major corrections are yet apparent from the mid-2022 data on the residential property market. Demand and supply continue to be under pressure. Consequently, market participants expect a sideways movement initially, provided that the general conditions do not deteriorate further.

The uncertainty caused by the many and to some extent mutually reinforcing crises is great on both supply and demand sides. However, because many large residential construction projects have already been started in the city, for example on the Kronsberg and in the Wasserstadt Limmer, market participants do not expect a sharp decline in the number of completions in Hannover, at least in the short term.

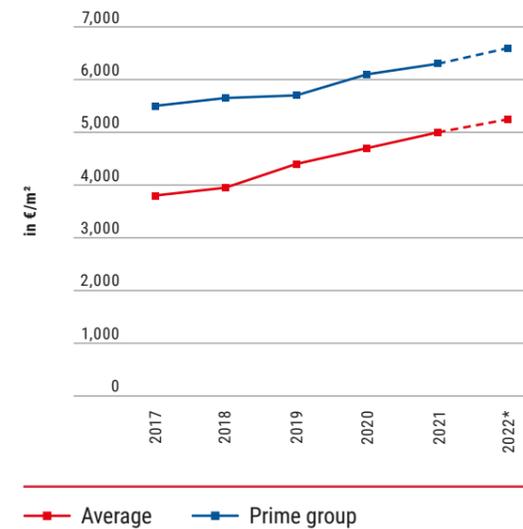


RESIDENTIAL PROPERTY PREFERENCES DETERMINED BY SUSTAINABILITY AND ENERGY EFFICIENCY FACTORS.

Regional actors see a need for action to meet the unbroken demand for affordable and/or subsidised housing, also under the current conditions. According to project developers and housing companies, the scope for price increases for privately financed housing has been exhausted. In mid-2021, the Hannover Region made fundamental changes to its housing subsidy programme, while the state capital Hannover extended for another two years its successful housing construction scheme with the local housing industry. These initiatives will also require discussion in the short term on how they can and must be adapted in view of the changed general conditions.

The Hannover Region's *WohnBauintiative* (WoBI) supports towns and municipalities in providing housing and promotes more and denser housing construction, especially in the apartment block segment. A variety of measures are being used to support the municipalities in the region. Local policymakers, among others, are being made aware of the issue of apartment building construction and higher densities, and planning administrators and the local property industry are networking on the future of modern housing.

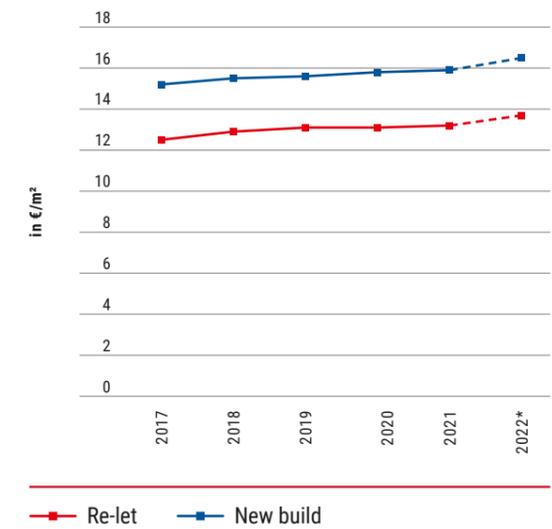
Purchase prices of owner-occupied apartments (newbuilds) in Hannover 2017 to 2022



Source: bulwiengesa AG

* Forecast based on information from market participants Q2/2022

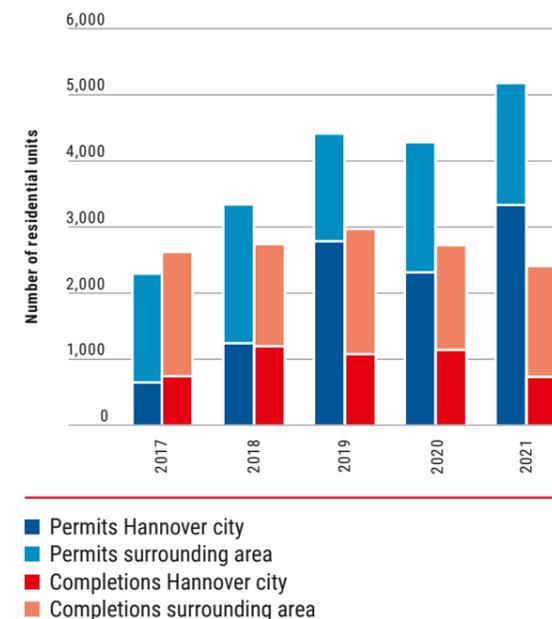
Residential rents in the prime price segment in Hannover 2017 to 2022



Source: bulwiengesa AG

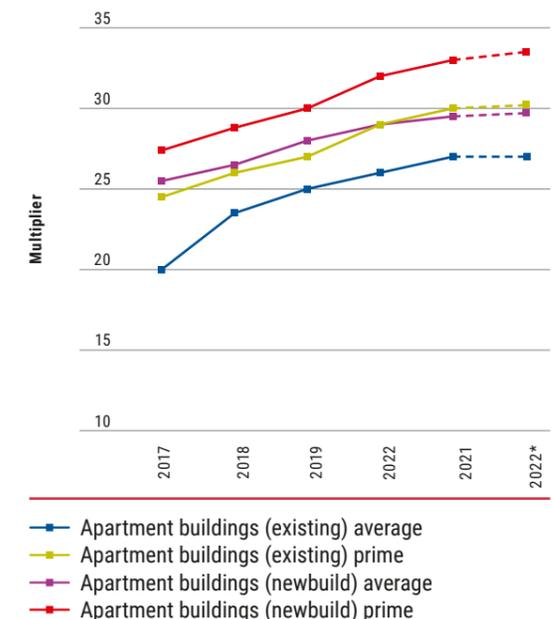
* Forecast based on information from market participants Q2/2022

Building permits and completions City and Hannover Region 2017 to 2021 (based on residential units)



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)

Residential properties – Multipliers in Hannover 2017 to 2022



Source: bulwiengesa AG

* Forecast based on information from market participants Q2/ 2022



RETAIL PROPERTY MARKET

Retail	
Sales area Hannover Region in m²	2.1 m
Surrounding area	1.2 m
Hannover city	0.9 m
of which inner city Hannover (Mitte district)	253,000
Retail centrality 2022 (Germany = 100)	
Hannover city	120.8
Surrounding area	107.7
Purchasing power 2022 in €	8.65 b
Hannover city	3.93 b
Surrounding area	4.72 b
Retail sales 2022 in €	7.64 b
Hannover city	3.89 b
Surrounding area	3.75 b
Rents 2022	
Peak rent, prime city location in €/m ² *	175
Average rent, prime city location in €/m ² *	135
Yields 2022	
Net initial yield in prime locations*	4.10%
Net initial yield in specialist retail centres	4.60%

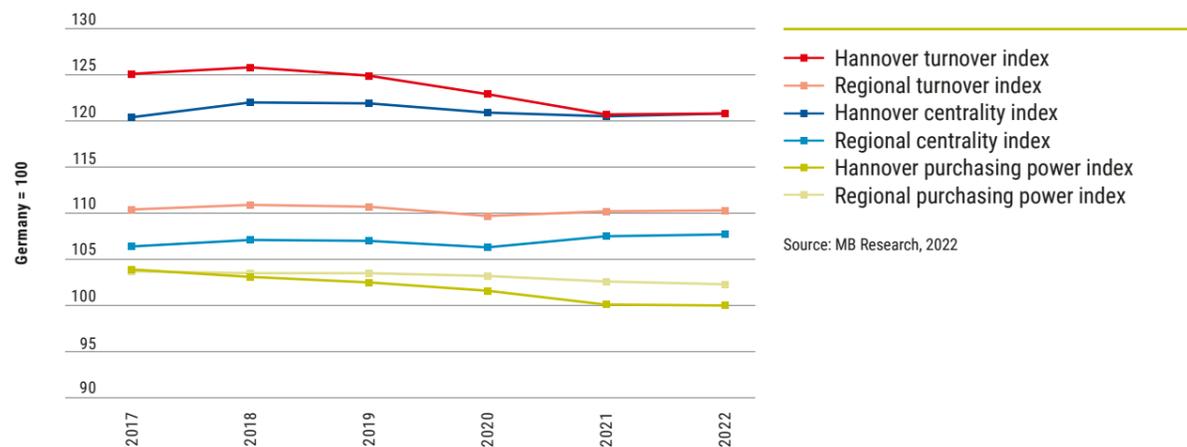
In terms of turnover, the Hannover Region is one of the strongest retail locations in Germany. Forecasts for 2022 put retail turnover for the region at around €7.64 billion. In addition to the Hannover city centre with its prime locations in Georgstraße, Große Packhofstraße, Bahnhofstraße and Karmarschstraße, 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.

➤➤ **MARKET MOOD:**
RETAILERS AND TOWN CENTRES MUST REINVENT THEMSELVES TO REMAIN COMPETITIVE.

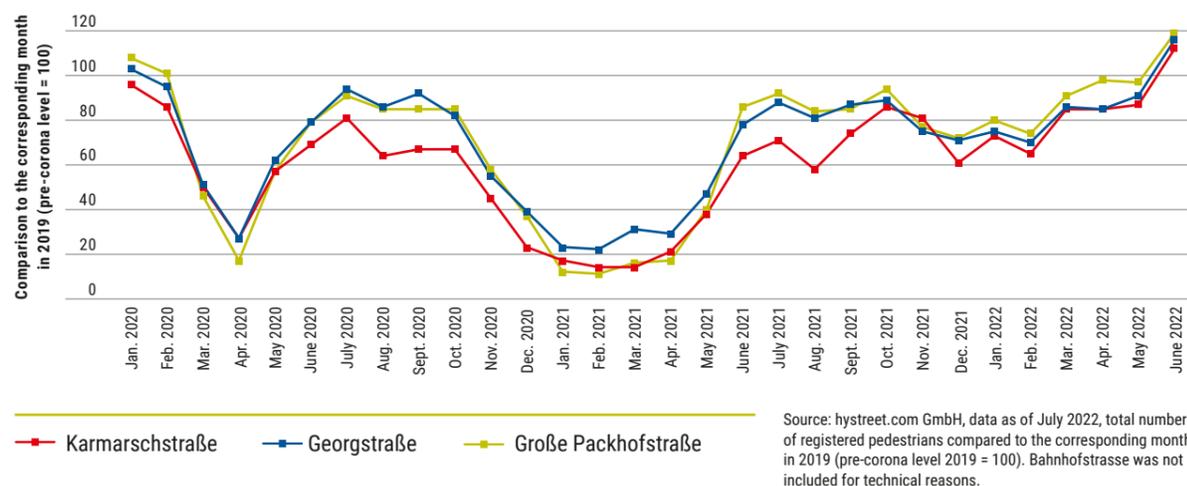
* Bahnhofstraße, Große Packhofstraße, Georgstraße, Karmarschstraße

Source: Retail portfolio surveys commissioned by the Hannover Region (2017); Retail and centre concept, local amenities concept and integrated entertainment venue concept for the state capital Hannover (2019); MB Research 2022; estimates from market participants Q2/2022

Retail indexes 2017 to 2022



Collapse and recovery of pedestrian footfall in Hannover city centre 2020 to 2022 compared to 2019



Retail rents 2017 to 2022



MARKET MOOD AND TRENDS

Retail businesses in the city and surrounding areas had to cope with another difficult pandemic year in 2021. Nevertheless, at the beginning of 2022 signs of a recovery were apparent. Footfall in Hannover city centre is currently above pre-corona levels and turnover in the prime locations has also increased clearly to around 5,500 m² in 2021 (plus 3,500 m² compared to 2020).

After peak rents in prime locations fell to around €175/m² in 2021, market participants believe that this value will initially hold in 2022. But this will depend on a general absence of previous corona pandemic-related restrictions. However, inflationary dynamics could still lead to rent reductions by the end of the year if private consumption, which is important for inner-city retail, undergoes a sustained decline as a result of inflation.

Far-reaching structural and strategic changes are on the horizon, especially in the city centre, not least due to the current vacancy of the former Karstadt store in Georgstraße and the

announced departure of Galeria Kaufhof at Marktkirche at the beginning of 2023. The corona pandemic should not be seen as a trigger for the crisis in bricks and mortar retail, but rather as a consolidation of already existing retail trends.

In Hannover's prime locations, rents had already been falling in recent years. However, prime and average rents are currently stabilising. Online retailing as a growth driver can consolidate its position and extend it at the expense of bricks-and-mortar retailing. Insolvencies and strategy changes, especially in large-scale department stores, specialist fashion retailers and restaurants/café's, are leaving the first gaps in Hannover's city centre locations and mid-sized centres in the surrounding area. The current situation could lead to many (chain store) retail formats permanently vacating their locations or significantly reducing their presence in traditional retail locations in city centres. On the one hand, this is increasing pressure on retailers, but also creating space for new concepts.

Some retailers are already reinventing themselves, for example, with showroom and flagship store concepts that address customers more emotionally and/or link brick-and-mortar retail more closely with their own online offerings. The spaces that are becoming vacant or are being newly created are also increasingly being occupied by more crisis-resilient local retailers. However, overall demand for space is falling. Creative concepts to revitalise the city centre, such as the inner city dialogue (**Innenstadtdialog**) initiated by the City of Hannover administration in 2021, are becoming increasingly relevant. The concept takes an integrated approach in which urban planning, traffic, cultural, ecological, social as well as economic aspects are interlinked. It provides a basis for long-term goals, for example, the city of Hannover being climate-neutral by 2035 and the inner city becoming more crisis-resistant and resilient.

Urban district locations and integrated retail locations in the surrounding areas currently appear to be benefiting from their proximity to customers and their function as local suppliers. But these have also been coming under increasing pressure from rising inflation in mid-2022. Many retailers continue to adopt a wait-and-see, cautious attitude. This is likely to 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.



PRESSURE ON RETAILERS IS GROWING – NEW CONCEPTS ARE NEEDED.

HOTEL PROPERTY MARKET

Hannover's tourism plummeted when the corona pandemic began in early 2020, as did tourism everywhere in Germany. Nevertheless, overnight stays in 2021 increased slightly compared to a weak 2020 to around 2.2 million overnight stays in the city and surrounding area. Hannover is a trade fair city and a hotel location heavily dependent on business travel (approx. 80% of demand). This makes the number of overnight stays an especially important indicator. In 2021, the number of overnight stays again exceeded the 1 million mark.

The attractiveness of Hannover as a location is demonstrated by the number of ongoing developments within the hotel property market. During the corona pandemic, eight hotels with around 1,250 rooms or approximately 2,375 beds opened between 2020 and 2022. Another eight to twelve hotels with up to 1,400 rooms are planned for the next five years. However, it remains to be seen whether all projects will be realised as planned.

»» **MARKET MOOD:
STEADY IMPROVEMENT
IN THE NUMBER OF OVER-
NIGHT STAYS. PREDATORY
PRICING BEGINS.**

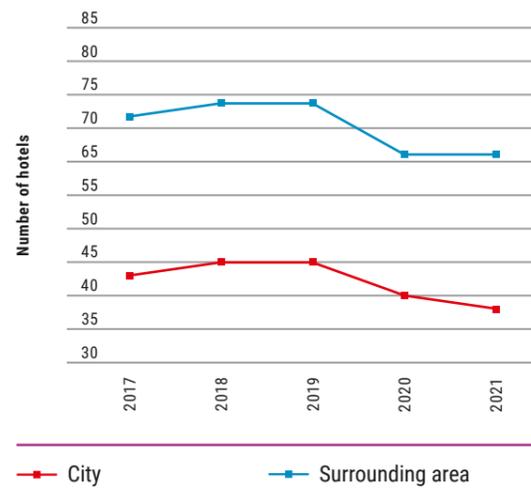
Source: State Office for Statistics of Lower Saxony
[Landesamt für Statistik Niedersachsen];
Fairmas, Q2/2022

Data for the hotel market generally refers
to the 2021 annual average.

Hotel	
Number of tourist accommodation establishments 2021	302
Hannover city	96
Surrounding area	206
Hotels 2021	104
Hannover city	38
Surrounding area	66
Number of beds (all accommodation types) 2021	27,746
Hannover city	13,723
Surrounding area	14,023
Number of hotel beds 2021	14,155
Hannover city	9,039
Surrounding area	5,116
Nights (all accommodation types) 2021	2.18 m
Hannover city	1.06 m
Surrounding area	1.12 m
Nights in hotels 2021	1.13 m
Hannover city	0.66 m
Surrounding area	0.47 m
Arrivals (all accommodation types) 2021	1.05 m
Hannover city	0.58 m
Surrounding area	0.47 m
Average length of stay in days (all accommodation types) 2021	
Hannover city	1.8
Surrounding area	2.1
Key figures for hotel chains, Hannover city (Fairmas) 2021	
Occupancy rate	27.1%
Room price in €	71.70
RevPAR (revenue per room) in €	19.40
Net initial yield hotel in 2022	5.4%

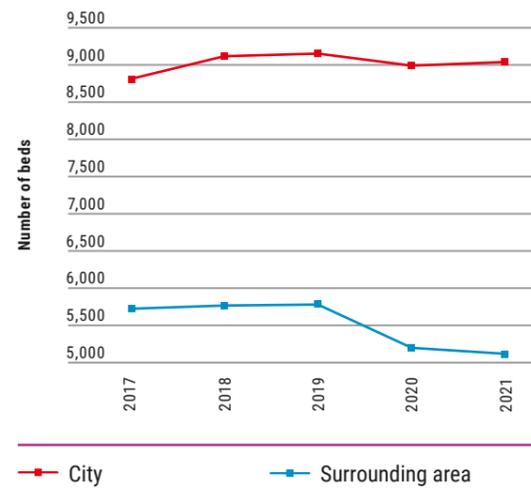


Development of hotel businesses 2017 to 2021



Source: State Office for Statistics of Lower Saxony [Landesamt für Statistik Niedersachsen], 2022 (annual average values, based on open hotels, excluding hotel garnis)

Development of hotel bed numbers 2017 to 2021



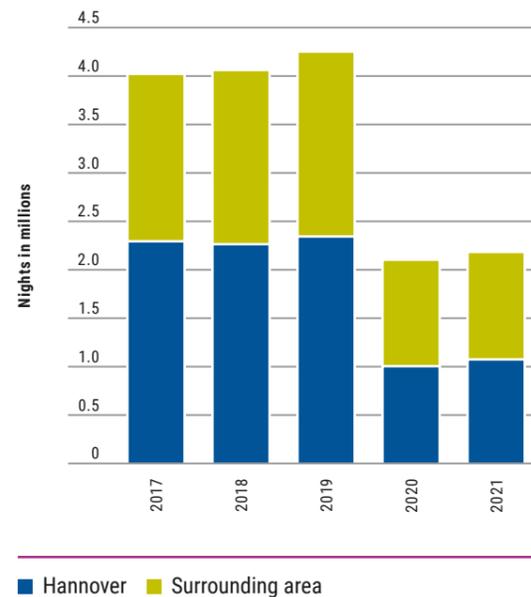
Source: State Office for Statistics of Lower Saxony [Landesamt für Statistik Niedersachsen], 2022 (annual average values, based on open hotels, excluding hotel garnis)

Key data for the Hannover hotel market 2017 to 2021

	2017	2018	2019	2020	2021
Hotels	43	45	45	40	38
Average occupancy in %	64.8	63.6	65.7	26.7	27.1
Average room price in €	101.60	104.50	103.40	81.60	71.70
RevPAR (revenue per available room) in €	65.10	66.40	67.90	21.80	19.40
Average stay (in days)	1.7	1.7	1.7	1.8	1.8
Beds in hotels	8,806	9,118	9,154	8,989	9,039

Source: Figures for Hannover city; State Office for Statistics of Lower Saxony, Fairmas performance indicators for the hotel chain industry, 2022

Overnight stays in the Hannover Region



Source: State Office for Statistics of Lower Saxony [Landesamt für Statistik Niedersachsen], 2022, Table Z7360151

MARKET MOOD AND TRENDS

Tourism in Hannover grew significantly in the years prior to the corona pandemic. In 2019, there were 4.25 million overnight stays per year in the city and surrounding areas. Cancellation of major trade fairs due to the pandemic restrictions were significant in causing a sharp decline in overnight stays. In 2020, overnight stays fell to just 2.1 million and only slightly increased in 2021 to 2.2 million. By mid-2022, however, numbers appear to be rising significantly. In June, overnight stays even slightly exceeded pre-corona levels (compared to June 2019), with more than 1.5 million overnight stays already recorded for the first half of the year. However, expectations of a pandemic in autumn 2022, rising inflation, soaring energy prices and slow consumption are cause for highly uncertain forecasts for the second half of 2022.

In 2021, the sharp fall in demand resulted in average room occupancy rates in Hannover of just over 27%. Average room rates in 2021 were a low €71.70. As a result, the average revenue per available room (RevPAR) was just €19.40 in Hannover in 2021 (compared to €67.90 in 2019).

The economic situation of hotel establishments continues to be more than strained, although so far only one of the larger hotels has permanently ceased operations. Many establishments downsized capacities during the pandemic and are currently still offering fewer rooms. However, a slow but steady improvement in bookings and thus occupancy is being driven by a resurgence in business travel, trade fairs and events, re-running of cancelled private parties and the easing of pandemic-related restrictions.

In recent years in Hannover, hotels have also been among those asset classes increasingly in demand. Already initiated, fully financed and operator-secured hotel projects in Hannover and the surrounding area were pushed forward during the pandemic, but renewed delays are occurring due to current uncertainties around energy price increases, inflation, rising interest rates and difficult conditions in the construction industry regarding building materials and skilled labour.

Eight to twelve hotel projects for the city and the Hannover Region are in the pipeline for the next five years. This equates to up to a further 1,400 rooms (or around 3,300 beds). The future for these new projects, however, remains difficult to assess for operators, investors and capital providers. It remains to be seen whether all the projects will be realised.

Despite all these difficulties, eight hotels with a total of around 1,250 rooms or 2,375 beds have opened in the city of Hannover since the beginning of 2020. However, the overall number of beds available in hotels in the city of Hannover did not increase, and the number of beds offered on an annual average actually fell by 115 to around 9,039 beds in 2021 compared to 2019.

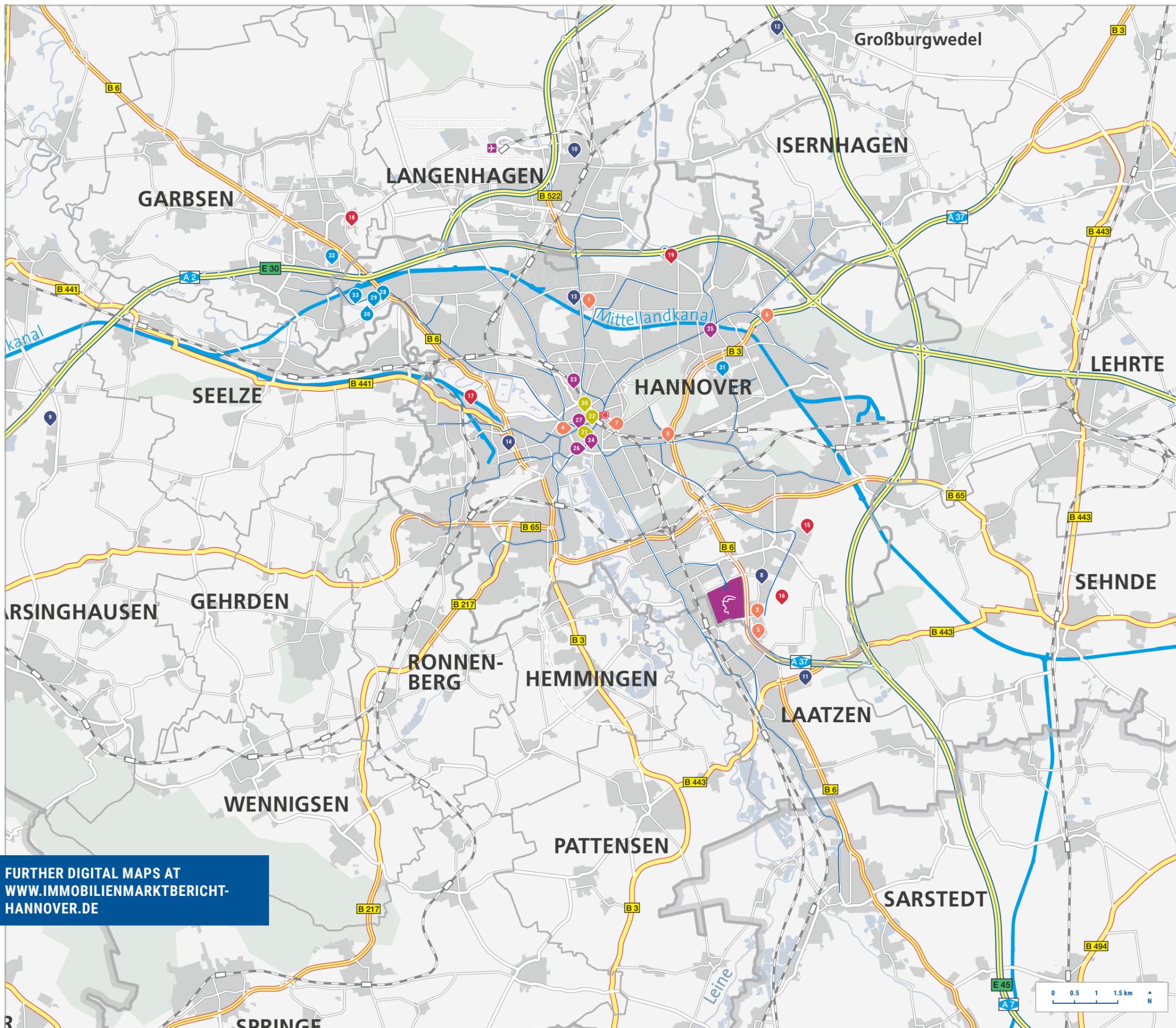
One reason for this is that many hotels reduced the number of beds offered during the pandemic and have not yet returned to former capacities.

No hotel transactions took place in Hannover in 2021. Hannover is not alone here. Throughout Germany, transaction volumes in the hotel market are still significantly below pre-corona levels. The increased market momentum expected in 2019 therefore remains on hold. Investors will be pricing these higher risks into their investment calculations, with corresponding consequences for returns. Accordingly, market participants expect peak yields for hotels in Hannover to rise to 5.4% (plus 40 basis points).



NYCE Hotel, Weidendamm 2

DESPITE ALL THE DIFFICULTIES, EIGHT HOTELS WITH 1,250 ROOMS HAVE OPENED SINCE 2020.



HANNOVER AS A PROPERTY LOCATION: SELECTED PROJECTS

KEY

Office

- 1 ● City Gate Nord (phase 2)
- 2 ● Torhaus ExpoPark
- 3 ● Continental AG
- 4 ● enercity
- 5 ● CLOSE Chicago Lane Office Suites
- 6 ● H3ö Büroquartier
- 7 ● Track 16

Logistics and industry

- 8 ● Verdion ExpoPark
- 9 ● Volkswagen Group Components
- 10 ● IndustrialQuarter Am Pferdemarkt
- 11 ● VGP Park
- 12 ● Rossmann
- 13 ● Panattoni City Dock Brink-Hafen
- 14 ● UnternehmerPark Altes Stahlwerk

Residential

- 15 ● ecovillage
- 16 ● Kronsberg-Süd
- 17 ● Wasserstadt Limmer
- 18 ● Berenbostel East
- 19 ● Kastanienpark Bothfeld

Retail and gastronomy

- 20 ● C&A (partial conversion for REWE, dm-drogerie markt, Woolworth)
- 21 ● Galerie Luise
- 22 ● Galeria Kaufhof an der Marktkirche

Hotel

- 23 ● NYCE Hotel
- 24 ● Motel One
- 25 ● Zleep Hotel
- 26 ● Penta Hotel
- 27 ● Hotel am Steintor

Science and industry

- 28 ● Forvia innovation centre
- 29 ● TECHNOLOGY CENTRE Science Area 30X
- 30 ● Taurus Technopark
- 31 ● Centre for Individualised Infection Medicine, CiIM
- 32 ● Extended technology park areas on the Garbsen engineering campus
- 33 ● OPTICUM-Optics University Center and Campus

- Completion 2022
- Under construction / Construction start 2022
- In planning as of 2022
- ✈ Airport
- 🏢 Trade fair premises
- DB Central station / National rail
- Light rail
- S-Bahn metropolitan rail
- City boundaries

FURTHER DIGITAL MAPS AT
WWW.IMMOBILIENMARKTBERICHT-HANNOVER.DE



Region Hannover

Landeshauptstadt



Hannover

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