

Press release

Identifying the potential of Germany's life sciences and tec real estate market

- Take-up increases on average by 16 % per year since 2018
- Transaction volume at roughly €1.8bn since 2018
- Demand shifting to city centres

Frankfurt, 09 March 2023 – A white paper jointly published by Colliers and the European Science Park Group AG (ESPG) – called 'Life Science & Tec Real Estate - Defining asset class. Identifying potential' – looks at the performance of Germany's life sciences and technology sector since 2018. The report highlights detailed research and analyses from the Colliers research database and ESPG's sector expertise, as well as interviews with 14 experts in the field. In addition to a status report on the current market situation, the report also provides an outlook on the future performance of Germany's life sciences & tec real estate market.

Steep increase in activity on leasing

An average of 209,000 m² have been taken up each year over the past five years on the leasing market, totalling over 1 million m². This trend has been accelerating fast; take-up activity was 302,000 m² in 2022, an increase of approximately 70 % compared to 2018. Only around 43 % of leases signed involved stock properties, which suggests that life sciences & tec real estate involves specific requirements that can be best addressed with new-build space. Therefore, take-up is likely to continue to revolve around property developments going forward. According to the latest data, only about 330,000 m² is scheduled for completion by 2025, which, combined with growing demand, could result in a severe shortage of supply.

Christian Kadel, Head of Capital Markets at Colliers in Germany, commented: "We can expect to see more leases being signed for space in downtown locations. According to the experts interviewed, a growing number of tenants, occupiers and investors are interested in life sciences and tec

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properties that are situated in the urban environments of city centres. Occupiers and tenants are therefore generally willing to pay higher rents, which the profitability of the sector makes possible. Competition for talent is also a key factor driving this demand.”

Expect more life sciences & tec properties in downtown locations going forward

Roughly 67.8 % of leases over the past five years were in Germany’s top seven cities and their surrounding area. Greater Munich, Berlin, Frankfurt and Hamburg proved the most popular locations, while leasing activity began picking up in Düsseldorf, Cologne and Stuttgart in 2021. Interest in university cities such as Leipzig, Heidelberg and Mainz is also growing.

Ralf Nöcker, C.E.O. at ESGP, added: “There are three out of four criteria that a property must meet for us to consider it a life science and tec property. It must be in a specific location, have a dedicated space such as a laboratory, contain a dominant technology and tenant that have other reasons to be “sticky” to our science park.”

€1.8bn in transaction volume since 2018

The transaction volume of properties bought and sold to date highlights the market’s small unit structure, with more than two-thirds of all deals signed below the €50m mark. In terms of location, there has been a rise in the number of deals signed in cities outside Germany’s three top markets of Munich, Berlin and Hamburg.

According to the interviews conducted by Colliers, ESG and smart building compliance are important for companies that use life sciences & tec properties, which is evident in the design of recent property developments. There are also many developments – such as FUHUB and HYBRICK in Berlin, the Life Science Center Gräfelfing near Munich and Innovationspark Mainz – that are well integrated into the urban landscape and boast excellent infrastructure.



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Collaborations in Germany

Most of the properties in the life sciences and tec asset class have a campus-like feel or feature mixed-use neighbourhood structures. These properties offer a high-quality environment, as companies are looking for locations that will attract skilled employees. Collaboration is also a new trend in the US that has recently penetrated the German market, and Germany's first science parks – the Life Science Factory in Göttingen and the BioLab in Heidelberg – are good examples of this co-working approach.

“Although the market is still relatively small, our interviews show that the industry is focused on innovation and growth. The upward trend in demand and growing interest among investors will increasingly attract institutional real estate investors. The trend might be similar to what we saw in the logistics market in the 2010s, where growing tenant demand led to a steady increase in investor interest and, today, that sector has become a permanent element of institutional portfolios. We expect to see a similar trend around life sciences and tec properties, although at a smaller scale,”

Christian Kadel concluded.

Download the whitepaper, “**Life Science & Tec Real Estate - Defining asset class. Identifying potential**” [here](#).

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About ESGP

The European Science Park Group (ESPG) is a real estate company specializing in science parks. The company's focus is on the development of science parks, predominantly characterized by tenants from future-oriented industries such as life sciences, green technologies, or digital transformation, which benefit from the proximity to each other and the direct vicinity to universities, hospitals, or research locations. ESGP's portfolio already includes 16 science parks across Europe with a total area of 126,000 square meters and a balance sheet value of 250 million euros. The sites are generally located outside metropolitan areas, in areas that are considered science clusters or have a high concentration of innovative companies.