

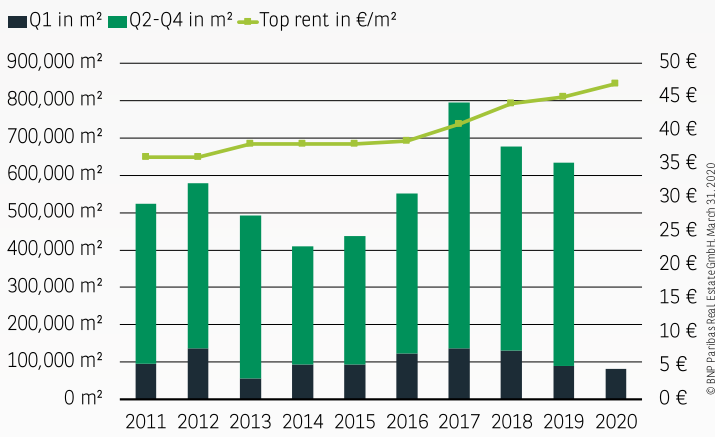


RESEARCH

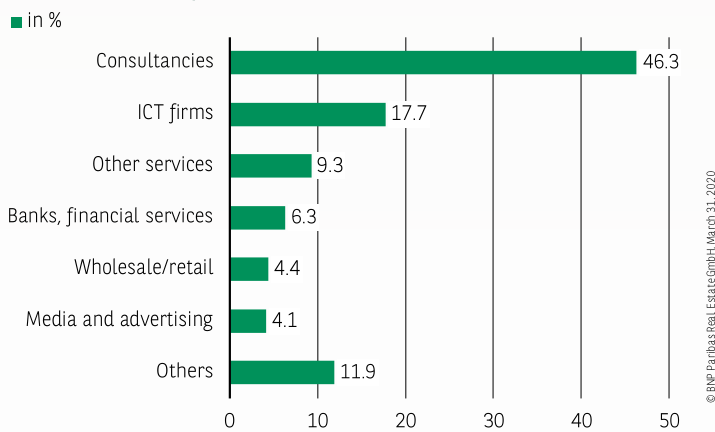
At a Glance **Q1 2020**

OFFICE MARKET FRANKFURT

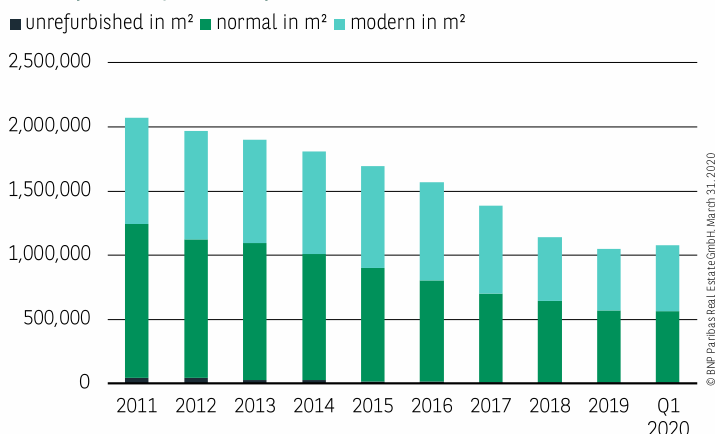
Development of take-up and top rents



Take-up according to sectors Q1 2020



Development of vacant space



GOOD START TO THE YEAR

The Frankfurt office market starts the new year with a take-up of 82,000 m². Compared to the previous year, this represents only a decline of just under 8%. A decent result was also registered in the more narrowly defined gif area, and at 76,000 m² it is actually just around 4% lower than in 2019. The crucial reason for the slightly lower take-up can be seen in the fact that so far only one large deal for more than 5,000 m² was concluded in the first quarter. In a long-term comparison, these size categories account for around one third of take-up. However, since these contracts are usually not evenly distributed over the year, the first quarter in particular often shows larger differences in take-up, that can be attributed to this. By contrast, lively demand was observed in the small and medium-sized market segment. Around 55% of the result is attributable to inner city locations, with the banking district standing out with almost 24,000 m² (29%). The largest lease to date by Freshfields Bruckhaus Deringer for 14,500 m² also contributed to this figure. No major effects of the corona crisis have yet been observed in the first quarter.

CONSULTANCIES CLEARLY NUMBER ONE

The traditionally strong consultancies have taken the lead by a wide margin, accounting for a good 46%, almost half of the current take-up. Thus, their share is currently significantly higher than the long-term average. One of the reasons for this is the Freshfields deal mentioned above. In second place with just under 18% are ICT firms such as Google Germany, which have rented around 4,600 m² in the banking district. The leading trio is completed by the group of other services, which represent a good 9%. In contrast, Frankfurt's flagship sector of banks and financial service providers accounts for only about 6% so far.

VACANT SPACE AT STABLE LEVEL

In the year-on-year comparison, the vacant space has hardly changed and is just under 1.08 million m² at the end of the first quarter. In the gif area the volume amounts to 767,000 m². Due to project completions in recent quarters, the vacancy of modern offices has increased by around 10% to 514,000 m². Nevertheless, only less than half of the vacancies have a quality standard preferred by tenants. The vacancy rate remains at 7.0% in the market area and 6.7% in the gif area. That the supply of office space in particularly high-demand locations is significantly lower, is shown by the fact that the vacancy rate in the CBD has now fallen to 3.6%.

Major contracts

Sub-market	Company	m²
1.1	Freshfields Bruckhaus Deringer	14,500
1.1	Google Germany	4,600
4.2	Concentrix	2,600
4.6	LG Electronics Germany	2,500
2.1	Schüßler Plan Ingenieurgesellschaft mbH	1,600
1.3	OSD	1,600

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Trends in important market indicators

	Q1 2019	Q1 2020	Trend remaining year
Take-up	89,000 m²	82,000 m²	↘
Vacant space	1,080,000 m²	1,077,000 m²	↗
Space under construction (total)	659,000 m²	715,000 m²	→
Space under construction (available)	342,000 m²	289,000 m²	→
Top rent	44.00 €/m²	47.00 €/m²	↘

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➤ AVAILABLE SPACE UNDER CONSTRUCTION DECLINING

The total construction volume has increased slightly by a good 8% in the last twelve months and currently amounts to 715,000 m². However, on the office letting market the key indicator is the space under construction which is still available: This figure has fallen by 15.5% to 289,000 m², which represents only around 40% of the total construction volume. The remaining space has already been pre-let or is build by owner-occupiers.

➤ RENT DEVELOPMENT IN THE FIRST QUARTER

Rents in the first quarter were not yet greatly affected by the Corona crisis. Not least because many contracts, especially larger ones, had been negotiated for some time and were about to be concluded. As a result, the top rent is at 47 €/m² and the average rent is at 20.30 €/m².

➤ OUTLOOK

Since large parts of the economy are suffering at least temporarily from the effects of the Corona crisis, letting requests and investments are likely to be postponed in some cases. Against this backdrop, take-up is expected to be significantly lower than in 2019, but it is not possible at present to reliably predict how strong the change will be. The same applies to the development of rents, even if significant declines are rather unlikely due to the relatively low supply situation in a long-term comparison.

Key indicators Q1 2020

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1 2020	total	modern	of this, since completion	total	available	available	projected
Submarkets**	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 Banking District	47.00		23,900	36,900	36,600	20,700	180,400	86,300	123,200	24,000
1.2 Westend	41.00		3,300	41,400	19,600	4,800	8,800	3,900	45,300	2,400
1.3 Inner City	37.00		15,000	79,200	54,900	11,500	177,000	66,500	145,700	79,600
1.4 Central Station	24.00		2,600	12,500	2,200	0	50,000	0	12,500	39,000
2 Centre Fringe	20.00 - 22.50		12,800	89,700	42,000	5,400	18,100	13,100	102,800	70,700
3 City Fringe	13.00 - 20.00		2,800	139,600	65,800	2,000	7,400	5,700	145,300	31,400
4 Subcentres	12.00 - 24.00		16,600	447,700	238,900	32,600	240,300	110,500	558,200	445,900
Total Frankfurt			77,000	847,000	460,000	77,000	682,000	286,000	1,133,000	693,000
5 Periphery	12.50 - 17.00		5,000	230,000	54,000	2,000	33,000	3,000	233,000	558,000
Total			82,000	1,077,000	514,000	79,000	715,000	289,000	1,366,000	1,251,000
N. B. gif market area			76,000	767,000	429,000	74,000	682,000	286,000	1,053,000	652,000

* The top rent given applies to a market segment of 35 % in each case.

** The relevant office market zone can be found on our website under "Research".

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