BNP PARIBAS REAL ESTATE

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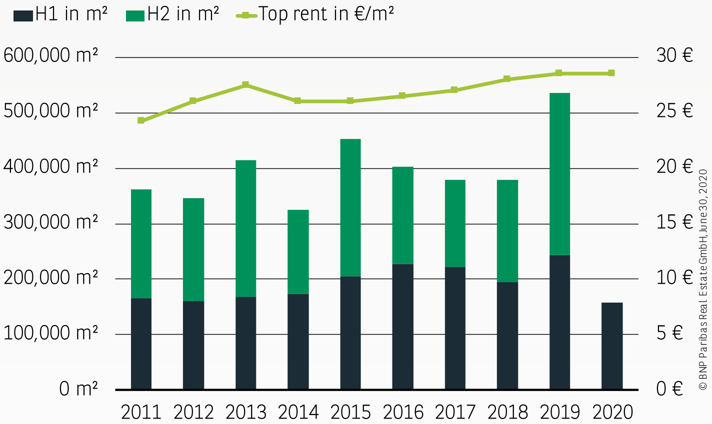
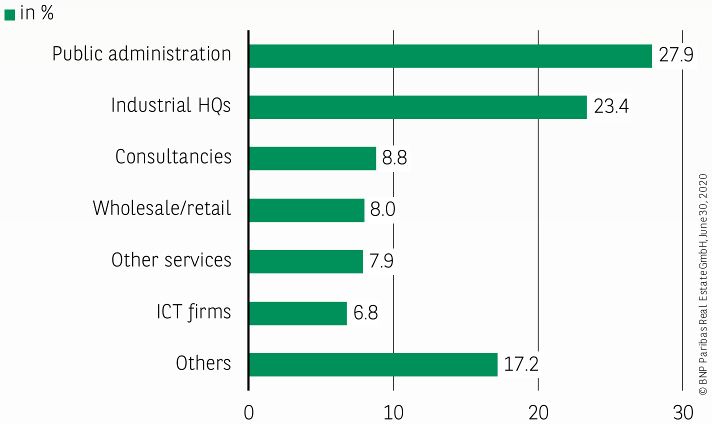
RESEARCH

At a Glance Q2 2020
OFFICE MARKET DÜSSELDORF

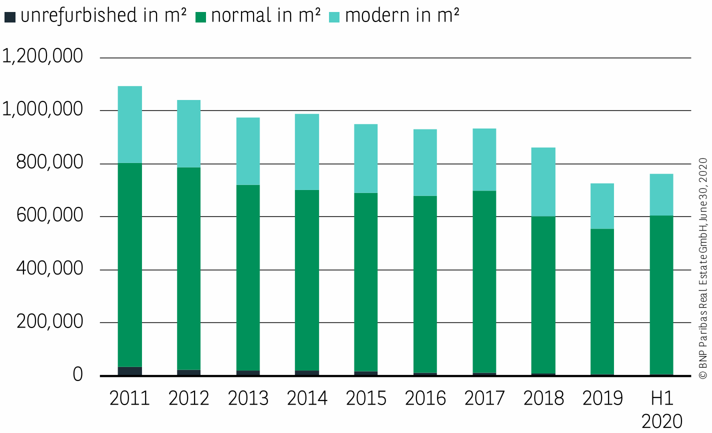
Development of take-up and top rents



Take-up by sector H1 2020



Development of vacant space



CORONA SLOWS DOWN OFFICE MARKET ACTIVITY

After a strong result in the first quarter of the year, the Corona crisis has also affected the activity on the Düsseldorf office market: In total, the take-up at the end of the first half of the year was therefore 158,000 m², which is just under 18% below the long-term average. However, against the background of the lockdown and the uncertainties associated with the impending recession, this development is not surprising. However, the volume in the second quarter (46,000 m²) illustrates the temporary hesitation of tenants, some of whom have temporarily postponed leases for new office space. In addition to the external effect of the Corona crisis, the currently low supply of space with modern equipment quality in city centre locations is has also an impact on take-up. Based on this supply bottleneck, no rent adjustments are expected in the upcoming quarters.

PUBLIC ADMINISTRATION STRONG DURING THE CRISIS

As in previous turbulent times, the public administration sector is particularly strong during the Corona pandemic. With a take-up share of almost 28%, this sector clearly leads the ranking. This was largely due to the leasing of 29,800 m² in the City East submarket by the regional finance directorate. On the second podium spot follow the administrations of the industrial companies with a contribution of 23%, which is also the highest percentage share of this sector in the last 10 years. The consulting companies were somewhat more reserved than usual, taking last place on the podium with just under 9%.

SUPPLY OF MODERN SPACE STILL LOW

In the past twelve months, the volume of vacant space in the entire Düsseldorf market area has fallen by a further 9% and currently stands at 762,000 m². Only one fifth of this vacant office space has modern quality. Compared to the beginning of the year, the total vacancies have increased only slightly by 5% as a result of the Corona pandemic. In the more narrowly defined urban area, the total vacant space currently amounts to only 459,000 m², which corresponds to a vacancy rate of 5.7%. In Düsseldorf's CBD, where demand is particularly strong, the vacancy rate is only 4.8%.

Major contracts

BMZ	Unternehmen	m²
3.2	Oberfinanzdirektion	29,800
5.1.2	Fujifilm	10,300
4.1	IT.NRW	7,700
2.6	LEG	7,600
3.1	BLB	5,400

Trends in important market indicators

	H1 2019	H1 2020	Trend remaining year
Take-up	244,000 m²	158,000 m²	→
Vacant space	837,000 m²	762,000 m²	→
Space under construction (total)	222,000 m²	283,000 m²	→
Space under construction (available)	39,000 m²	98,000 m²	↘
Top rent	28.00 €/m²	28.50 €/m²	→

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CONSTRUCTION START OF NEW OFFICE PROJECTS

The tense relationship between supply and demand that exists on the Düsseldorf office market for some time now led to the start of construction of a number of office properties in recent months. The volume of space under construction has increased by 27.5% compared to the same period last year and currently stands at 283,000 m², of which only around 35% is currently available to the letting market. The start of construction of the project "The Oval" (around 12,000 m²) in the Kennedydamm submarket, which is scheduled for completion in 2022, is especially noteworthy in this context.

RENTS REMAIN RESISTANT

Despite the temporary decline in demand, the shortage of supply caused rents to prove largely resistant. As at the end of last year, the top rent is still at 28.50 €/m² and is achieved for modern space in the CBD. Since the beginning of the year the average rent across all sub-markets has fallen slightly by 6% to 15.30 €/m², but this is due to the shortage of modern space supply and thus to the significantly lower share of take-up in this segment.

OUTLOOK

In view of the looming recession and the temporary reluctance of companies, the annual result is expected to be lower than in recent years. With the return to normality in social life, however, slightly increasing take-up in the next two quarters does not seem unlikely. From today's perspective, rents are also expected to remain constant for the rest of the year, as no sharp rise in vacancies is in sight.

Key indicators H1 2020

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	H1 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										
1.1	CBD/Banking District		28.50	10,500	30,000	13,000	0	8,000	8,000	38,000	8,500
1.2	Inner City		26.50	12,500	46,000	4,500	0	5,000	5,000	51,000	0
2	Office Centres	14.00 -	25.00	37,000	161,500	78,500	3,000	140,500	53,500	215,000	183,500
3	Centre Fringe	14.50 -	24.00	42,000	52,000	7,500	0	74,000	0	52,000	61,500
4	Subcentres	14.00 -	22.00	41,000	169,500	25,500	0	52,500	31,500	201,000	175,500
	Total Düsseldorf			**143,000**	**459,000**	**129,000**	**3,000**	**280,000**	**98,000**	**557,000**	**429,000**
5	Periphery	10.00 -	15.00	15,000	303,000	27,000	4,000	3,000	0	303,000	46,000
	Total			**158,000**	**762,000**	**156,000**	**7,000**	**283,000**	**98,000**	**860,000**	**475,000**

* The top rent given applies to a market segment of 3-5 % in each case.
** The relevant office market zone can be found on our website under "Research".

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