

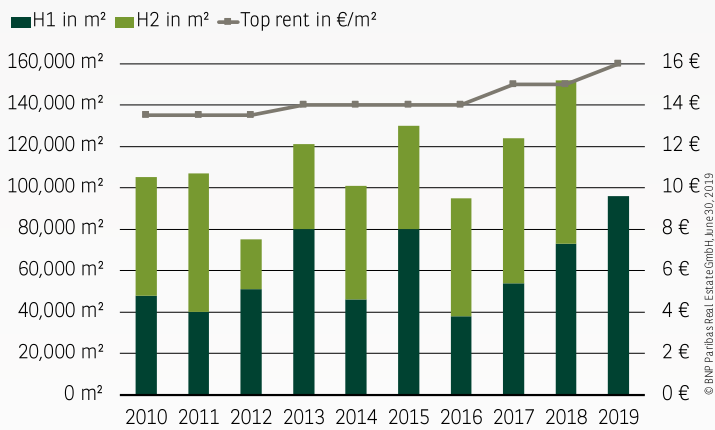


**RESEARCH**

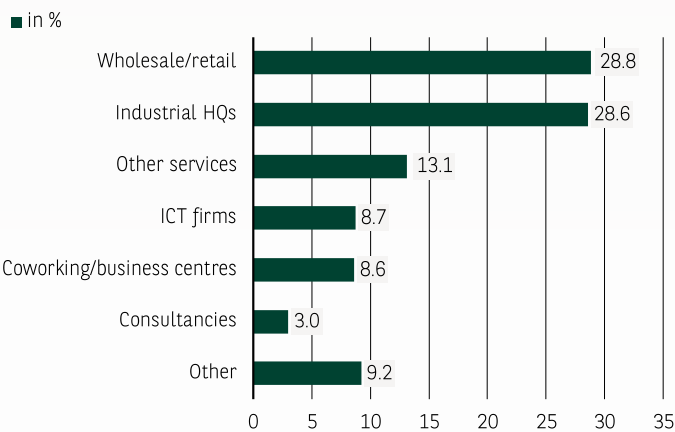
At a Glance **Q2 2019**

# OFFICE MARKET ESSEN

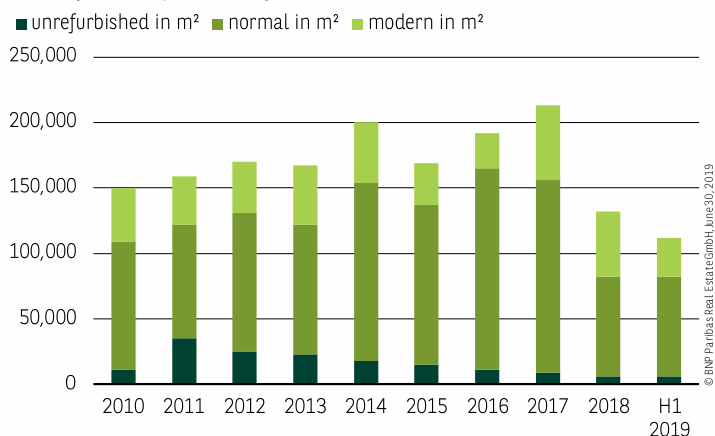
### Development of take-up and top rents



### Take-up by sector H1 2019



### Development of vacant space



### ► FULMINANT SECOND QUARTER

After a relatively restrained start into the year the Essen office market has accelerated enormously in the second quarter and set up the best quarterly outcome ever registered with 71,000 m². As a result, a new half-year record was achieved with a take-up of 96,000 m², exceeding the already good result of the previous year by almost one third and the ten-year average by almost 60%. As usual, such outstanding volumes always require large deals, which were completely missing in the first three months of the year. In contrast, two major deals were concluded in the second quarter: the owner-occupier deal by Aldi Einkauf GmbH (17,600 m²) and a lease by Hochtief Engineering GmbH (15,800 m²). Nevertheless, the proportion of large-area contracts is not disproportionately high in a long-term comparison, which suggests that demand in all market segments has contributed to this extraordinary take-up.

### ► LARGE DEALS DOMINATE SECTOR DISTRIBUTION

The two major deals mentioned above are also reflected in the sector distribution. At just under 29% each, trade firms and the administrations of industrial companies are almost equally at the top. The leading trio is rounded off by the in Essen traditionally strong other services, which account for a further 13% of total take-up. The fourth place goes to companies in ICT technologies and coworking/business centres, each head-to-head with just under 9%. This means that providers of flexible workspaces, who especially have so far been very dynamic in A-locations, are now continuing their expansion strategy in an impressive manner in other large cities.

### ► VACANCY CONTINUES TO FALL SIGNIFICANTLY

The reduction in vacancy has also developed rapidly over the past twelve months. At 112,000 m², available space is almost 31% lower than a year earlier. In the most important market segment for tenants, the decline was even more dramatic. Only 30,000 m² of the total vacant volume still have a modern quality that is in great demand by the users. This means that the amount of available modern space is less than half of the previous year and only accounts for around a quarter of the total vacancy. This development is of course also reflected in the vacancy rate, which at 3.6% is the lowest since 2001.

## Major contracts

Sub-market	Company	m <sup>2</sup>
3.1	Aldi	17,600
2.5	Hochtief Engineering	15,800
2.5	Karstadt Warenhaus	8,000
2.3	Design Offices	7,000
2.3	RWE	5,400
2.1	City of Essen Jobcenter	2,700

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### ➤ HARDLY ANY INCREASE IN SUPPLY DUE TO CONSTRUCTION ACTIVITIES

Although the volume of space under construction has increased slightly by a good 8% to 66,000 m<sup>2</sup> at present, it is still at a very low level. This applies in particular to space that is neither pre-let nor occupied by owner-occupiers. Compared to the previous year, this market segment even declined by a good 14% to just 12,000 m<sup>2</sup>. This means that only 18% of the total construction volume is still available to the rental market. It should also be noted that just under 5,000 m<sup>2</sup> of this amount is attributable to the city centre. Against this backdrop, especially the supply of modern office space will continue to be the bottleneck throughout the rest of the year.

### ➤ RENTALS RISE IN ALL AREAS

The above outlined supply/demand situation is also reflected in the development of rental prices. The top rent has risen by just under 7% to 16 €/m<sup>2</sup>, setting a new all-time high. The situation is similar for the average rent, which has been increasing for some time. Compared to the previous year, it has also climbed by almost 3% and at 11.90 €/m<sup>2</sup> has also reached a new record level.

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## Trends in important market indicators

	H1 2018	H1 2019	Trend remaining year
Take-up	73.000 m <sup>2</sup>	96.000 m <sup>2</sup>	➔
Vacant space	162.000 m <sup>2</sup>	112.000 m <sup>2</sup>	➔
Space under construction (total)	61.000 m <sup>2</sup>	66.000 m <sup>2</sup>	➔
Space under construction (available)	14.000 m <sup>2</sup>	12.000 m <sup>2</sup>	➔
Top rent	15,00 €/m <sup>2</sup>	16,00 €/m <sup>2</sup>	➔

### ➤ OUTLOOK

Against the backdrop of the very good first half of the year, space take-up for the year as a whole is expected to be well over 130,000 m<sup>2</sup>. However, the continuing shortage of supply, especially in the preferred central locations, could have a limiting effect. With vacancy rates continuing to fall and construction activity remaining moderate, the supply bottleneck is likely to become even more critical. As a consequence, everything points to a further increase in rent levels.

## Key indicators H1 2019

	Top rent* (€/m <sup>2</sup> )		Take-up (m <sup>2</sup> )	Vacant space (m <sup>2</sup> )			Space under construction (m <sup>2</sup> )		Space on offer (m <sup>2</sup> )	
	from	to	H1 2019	total	modern	of this, since completion	total	available	available	projected
	1	2	3	4	5	6	7	8 = (3 + 7)	9	
Submarkets**										
1 City Centre										
1.1 Core City		15.00	4,800	23,700	4,600	0	8,700	4,900	28,600	49,000
2 Centre Fringe	10.50	- 16.00	65,200	50,600	21,100	1,000	3,500	0	50,600	154,300
3 Subcentres		14.50	26,000	37,700	4,300	0	53,800	7,100	44,800	27,700
<b>Total</b>			<b>96,000</b>	<b>112,000</b>	<b>30,000</b>	<b>1,000</b>	<b>66,000</b>	<b>12,000</b>	<b>124,000</b>	<b>231,000</b>

\* 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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