

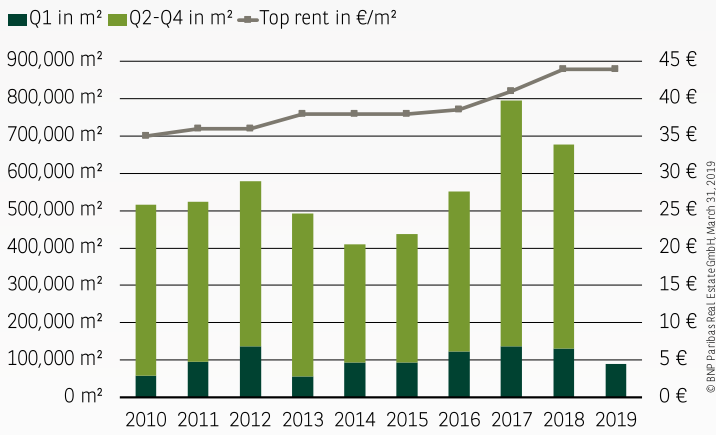


RESEARCH

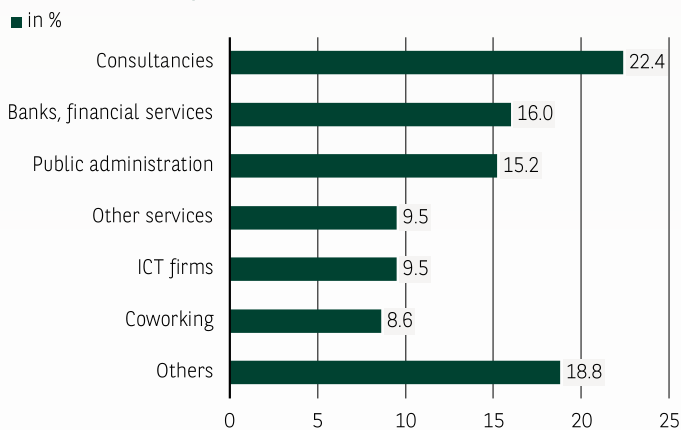
At a Glance **Q1 2019**

OFFICE MARKET FRANKFURT

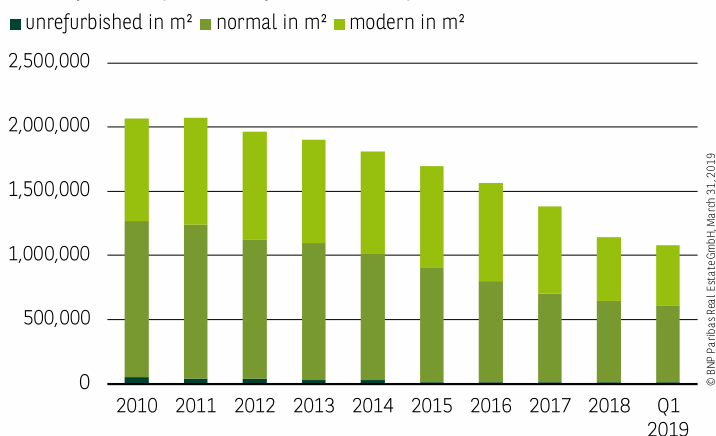
Development of take-up and top rents in Frankfurt



Take-up according to sectors in Frankfurt Q1 2019



Development of vacant space in Frankfurt



➤ CAUTIOUS START TO THE YEAR BUT POSITIVE OUTLOOK

After three years, in which the first quarter already showed record volumes, the start of 2019 is, as expected, much more modest. At 89,000 m², the take-up was almost one-third below the exceptionally good figure of the previous year. Even in the narrower gif area, a decline of a comparable scale was recorded with a result of only 79,000 m². The most important reason for the low momentum is the disproportionately small share of larger deals to date. As these are not spread evenly over the year, a lack of corresponding contracts in the first quarter is particularly significant. On a long-term average, rentals of more than 5,000 m² account for around one third of Frankfurt's take-up. Currently, their share is only 18 %. Around half of the difference in take-up compared with the previous year can be explained solely by the development in this market segment. With the lease of 10,700 m² by the Gesellschaft für Internationale Zusammenarbeit GIZ in Eschborn, only one contract of over 10,000 m² could be registered.

➤ RELATIVELY BROAD DIVERSIFICATION ACROSS INDUSTRIES

The industries that are generally leading in Frankfurt have once again placed themselves at the top. Consulting companies contributed the most with a share of 22 %. Banks and financial services, which often ranked first in the past, had to settle for second place with 16 %. Only just beaten, the public administration (a good 15 %) completes the leading trio. Larger contributions are also made by ICT firms, which account for 9.5 %. But also the dynamically developing providers of coworking concepts are responsible for almost 9 % of take-up. This confirms the sector's strong result of 2018 as a whole.

➤ VACANCY REDUCTION CONTINUES

The decline in vacancy has continued unchanged. With a total volume of 1.08 million m², it is a good 20 % below the comparable figure of the previous year and is about to slide below the 1 million m² mark. Only with regard to the narrower gif area only 762,000 m² remain empty. The segment of vacancies with modern quality, which is more important from a market point of view, even declined by almost 28 % to 467,000 m² in the same period. Against this backdrop, the vacancy rate has fallen to 7 % - the lowest level since 2001. In the CBD, which is in particularly high demand, it is currently approaching the 4 % threshold.

Major contracts in Frankfurt

Sub-market	Company	m²
4.6	Gesellschaft für Internationale Zusammenarbeit GIZ	10,700
4.7	KPMG	5,300
5.1.1	Regus	5,000
4.6	DXC Technology Deutschland	3,500
1.1	Deutsche Bundesbank	3,300
1.3	Solactive	2,900

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Trends in important market indicators in Frankfurt

	Q1 2018	Q1 2019	Trend remaining year
Take-up	131,000 m²	89,000 m²	➔
Vacant space	1,359,000 m²	1,080,000 m²	➘
Space under construction (total)	502,000 m²	659,000 m²	➔
Space under construction (available)	273,000 m²	342,000 m²	➔
Top rent	42.00 €/m²	44.00 €/m²	➔

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➤ FURTHER INCREASE IN CONSTRUCTION ACTIVITY

Not at least as a reaction to the limited supply, construction activity has increased, especially in the central locations. Compared to the previous year, the volume has risen by 31 % to 659,000 m². Due to a high pre-letting rate, however, only around half of this is still available to the letting market as an additional offer. Almost two thirds of this is located in the city areas. In other words, the office market zones, where the vacancy rate is now only slightly above the necessary fluctuation reserve and where demand is traditionally the highest.

➤ RENTS CONTINUE TO RISE

The very good market development of recent years is also reflected in the development of rents. The prime rent has increased in the last twelve months by 5 % to 44 €/m². The average rent, which is currently well over 18 €/m², even rose by just under 9 %.

➤ PERSPECTIVES

From today's viewpoint, the cautious start to the year is merely a snapshot, so that a significant increase in take-up is to be expected in the further course of the year. Even a result roughly comparable to last year's cannot be completely ruled out. From today's perspective, based on existing major requests and the current demand structure, annual take-up of between 600,000 and 650,000 m² is the most likely scenario.

Key indicators Frankfurt Q1 2019

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1 2019	total	modern	of this, since completion	total	available	available	projected
Submarkets**	1	2	2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 Banking District	44.00		9,800	18,200	17,700	4,300	262,900	150,000	168,200	24,000
1.2 Westend	42.00		10,000	43,000	18,800	3,000	8,600	5,500	48,500	3,300
1.3 Inner City	36.00		15,000	81,500	49,200	10,500	132,800	62,000	143,500	126,400
1.4 Central Station	21.50		700	6,000	0	0	51,500	1,500	7,500	0
2 Centre Fringe	20.00 - 21.00		4,700	122,500	65,500	300	81,600	62,900	185,400	9,400
3 City Fringe	12.10 - 20.00		7,700	113,100	23,400	1,500	25,200	23,200	136,300	54,300
4 Subcentres	11.00 - 28.00		33,100	457,700	226,400	30,400	66,400	33,900	491,600	525,600
Total Frankfurt			81,000	842,000	401,000	50,000	629,000	339,000	1,181,000	743,000
5 Periphery	11.00 - 16.50		8,000	238,000	66,000	0	30,000	3,000	241,000	489,000
Total			89,000	1,080,000	467,000	50,000	659,000	342,000	1,422,000	1,232,000
N. B. gif market area	44.00		79,000	762,000	367,000	48,000	621,000	333,000	1,095,000	709,000

* 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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