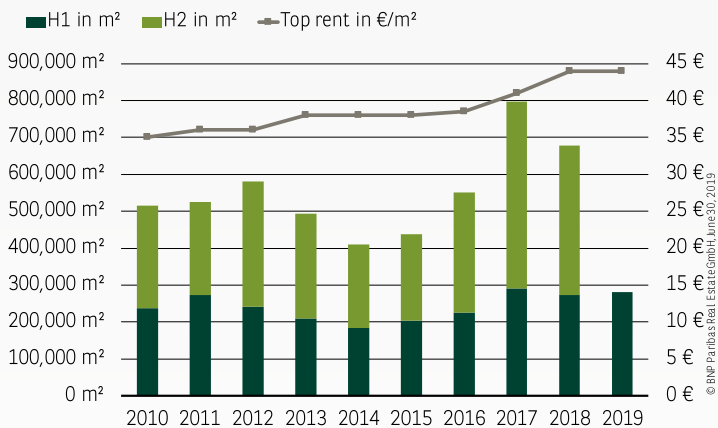




At a Glance **Q2 2019**

OFFICE MARKET FRANKFURT

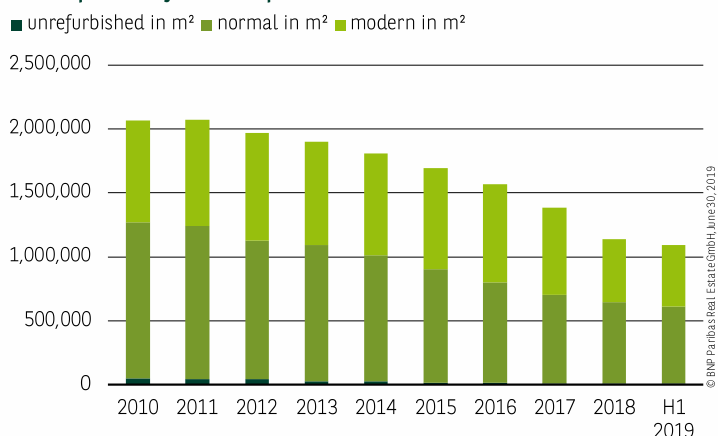
Development of take-up and top rents



Take-up by sector H1 2019



Development of vacant space



➤ SECOND-BEST TAKE-UP OF THE LAST TEN YEARS

After a relatively moderate start into the year, the Frankfurt office market has accelerated in the second quarter. With a volume of 281,000 m² in the entire market area, the previous year's result was exceeded by 3% which also means that at the same time the second-best result of the last ten years was achieved. Even in the more narrowly defined gif area, outcome increased by almost 6% to 264,000 m² and thereby one of the best results of all times was reported. The fact that the ten-year average was topped by an impressive 20% also shows how good take-up is. This was also due to a number of large contracts for more than 10,000 m², which were still missing in the first three months of the year. In a nationwide comparison, Frankfurt thus ranks fourth behind Munich, Berlin and Hamburg. Due to the shortage of supply in the central locations, large deals were mainly concluded in the secondary locations, e.g. in Niederrad (DekaBank, 46,200 m²; DFB, 10,000 m²) or Eschborn (Randstad Deutschland, 14,800 m²; German Corporation for international Cooperation, 10,600 m²).

➤ FOUR SECTOR GROUPS WITH DOUBLE-DIGIT CONTRIBUTIONS

The banks and financial service providers made an above-average contribution to the very good outcome with a share of 28.5%, which is clearly at the top, not least as a result of DekaBank's large letting deal. The traditionally strong consulting companies came in second with 13.5%, thus ranking ahead of other services (a good 11%). The group of companies with double-digit volume share is completed by the public administration with a good 10%. Further, expansive coworking providers (8.5%) and ICT technologies (around 7%) also made a substantial contribution to the result.

➤ VACANCY FURTHER DECLINING

The good demand of recent years is also reflected in the level of vacancy. The decline observed for some time has continued in the last twelve months, and at 1.09 million m² the volume is currently almost 15% lower than a year ago. The segment of modern vacant space was reduced even more significantly, amounting to only 484,000 m² (-21%). This means that only around 44% of the total unoccupied space is of a quality which is highly preferred by users. As a result, the vacancy rate in the entire market area fell to 7.1%. However, the core issue of the Frankfurt market remains the scarcity of supply in the central locations, which is reflected in a vacancy rate of only 3.4% in the CBD.

Major contracts

| Sub-market | Company | m² |
|------------|--|--------|
| 4.4 | DekaBank | 46,200 |
| 4.6 | Randstad Germany | 14,800 |
| 4.6 | GlZ German Corporation for International Cooperation | 10,600 |
| 4.4 | DFB German Football Association | 10,000 |
| 1.3 | Regus | 6,900 |
| 4.4 | Municipal drainage of the city of Frankfurt | 6,100 |

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Trends in important market indicators

| | H1 2018 | H1 2019 | Trend remaining year |
|--------------------------------------|--------------|--------------|----------------------|
| Take-up | 273,000 m² | 281,000 m² | ➔ |
| Vacant space | 1,279,000 m² | 1,094,000 m² | ➡ |
| Space under construction (total) | 592,000 m² | 638,000 m² | ↗ |
| Space under construction (available) | 294,000 m² | 318,000 m² | ➡ |
| Top rent | 43.00 €/m² | 44.00 €/m² | ↗ |

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Key indicators H1 2019

| | Top rent* (€/m²) | | Take-up (m²) | Vacant space (m²) | | | Space under construction (m²) | | Space on offer (m²) | |
|------------------------|------------------|---------|----------------|-------------------|----------------|---------------------------|-------------------------------|----------------|---------------------|------------------|
| | from | to | H1 2019 | total | modern | of this, since completion | total | available | available | projected |
| | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 7 | 8 = (3 + 7) | 9 |
| 1 City Centre | | | | | | | | | | |
| 1.1 Banking District | 44.00 | | 23,100 | 14,800 | 14,400 | 3,000 | 267,800 | 143,200 | 158,000 | 24,000 |
| 1.2 Westend | 42.00 | | 20,000 | 38,000 | 16,100 | 2,500 | 7,000 | 4,900 | 42,900 | 5,000 |
| 1.3 Inner City | 38.00 | | 49,000 | 72,000 | 41,300 | 9,300 | 139,200 | 58,200 | 130,200 | 110,000 |
| 1.4 Central Station | 21.50 | | 3,600 | 8,500 | 700 | 0 | 51,500 | 1,500 | 10,000 | 0 |
| 2 Centre Fringe | 20.00 | - 22.00 | 17,500 | 115,200 | 64,200 | 200 | 33,700 | 14,900 | 130,100 | 65,600 |
| 3 City Fringe | 12.60 | - 17.00 | 11,900 | 156,200 | 67,300 | 1,500 | 21,300 | 21,300 | 177,500 | 47,400 |
| 4 Subcentres | 11.00 | - 28.00 | 143,900 | 453,300 | 217,000 | 25,500 | 109,500 | 72,000 | 525,300 | 482,000 |
| Total Frankfurt | | | 269,000 | 858,000 | 421,000 | 42,000 | 630,000 | 316,000 | 1,174,000 | 734,000 |
| 5 Periphery | 11.00 | - 16.50 | 12,000 | 236,000 | 63,000 | 1,000 | 8,000 | 2,000 | 238,000 | 489,000 |
| Total | | | 281,000 | 1,094,000 | 484,000 | 43,000 | 638,000 | 318,000 | 1,412,000 | 1,223,000 |
| N. B. gif market area | | | 264,000 | 782,000 | 388,000 | 40,000 | 622,000 | 310,000 | 1,092,000 | 702,000 |

* 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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➤ CONSTRUCTION ACTIVITY AT A HIGH LEVEL

The decline of supply in the central locations, which are highly preferred by tenants, has led to an increase in construction activity. This trend has also continued last year. At 638,000 m², the volume is almost 8% higher than in the previous year and also reaches a high level in a long-term comparison. However, around half of this space is already pre-let or occupied by owner-occupiers. Around 70% of the available space is located in the city and city fringe, i.e. the office zones with the strongest demand.

➤ RENTS CONTINUE TO INCREASE

Strong demand has been reflected in rising rents for some time now. In a year-on-year comparison, the top rent has risen by around 2% to 44 €/m². The increase was even more striking for the average rent, which is 19.90 €/m² and thus 9% above the previous year's level.

➤ OUTLOOK

After the dynamic second quarter the market is expected to remain similarly active in the second half of the year from today perspective. On the basis of existing requests and contracts currently under negotiation, there are many reasons to believe that the Frankfurt office market will again achieve a take-up of space in excess of 600,000 m² for the year as a whole. At the same time, vacancy rates are likely to fall slightly. This is due to the fact that well over half of the areas under construction will not be completed until mid-2020. Against this backdrop, further increases in rent levels are also realistic.