BNP PARIBAS REAL ESTATE

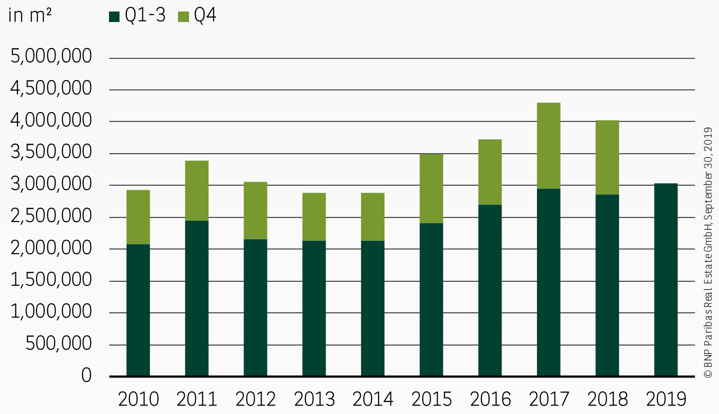
Real Estate
for a changing world

RESEARCH

At a Glance Q3 2019

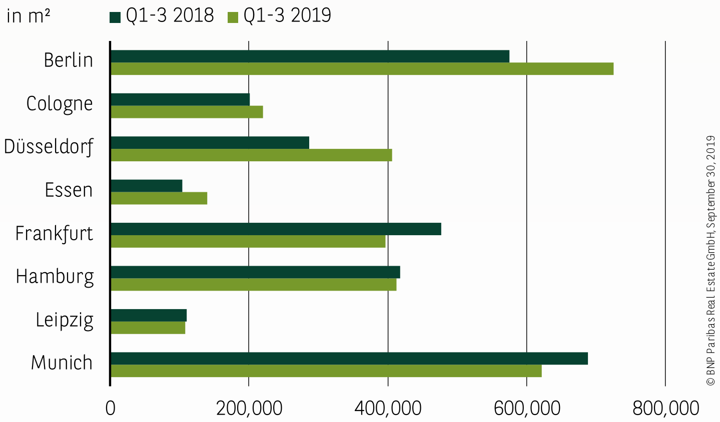
OFFICE MARKET GERMANY

Total take-up of selected office centres*

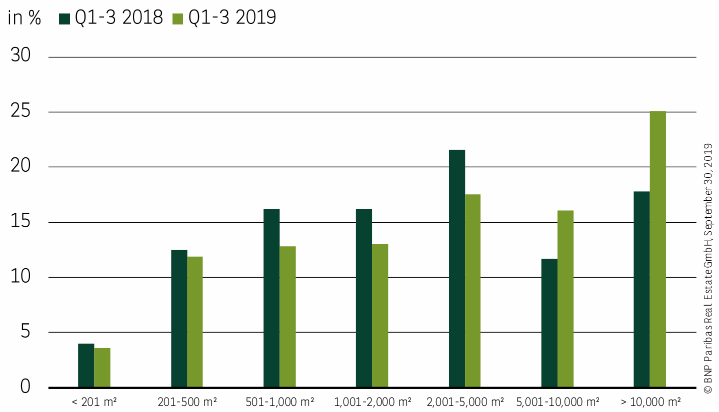


* Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig, Munich

Take-up in Q1-3 2018 and Q1-3 2019



Take-up by size category



RECORD: FOR THE FIRST TIME OVER 3 MIO. M² TAKE-UP

The strong demand continued in the third quarter and for the first time after nine months, take-up rose to more than 3 million m². Thus, the record set last year was again exceeded by 6%. The most important reason for this is the development of the labour market. Despite a slight decline in GDP in the second quarter, the unemployment rate is at its lowest September level since German reunification. If additional effects such as demographic developments and the resulting war for talents are taken into account, there are certain indications that many companies will try to retain their employees even during a period of economic weakness. The office markets will benefit from this trend, especially in the long term.

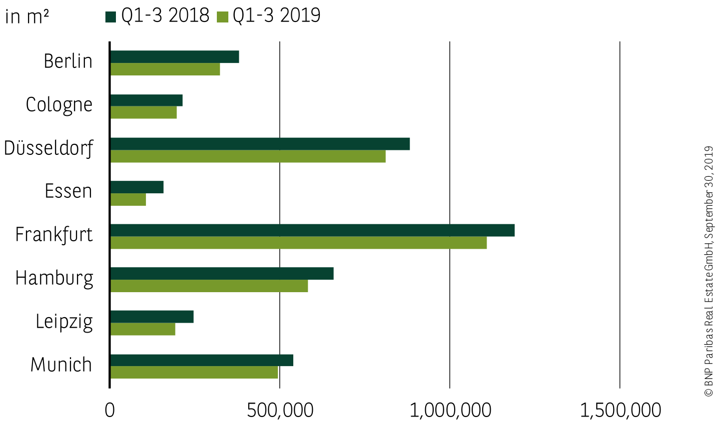
BERLIN IS UNSTOPPABLE

Berlin has impressively placed itself at the top with 726,000 m² of take-up. This represents an increase of a good 26% compared to the nine months of last year and is therefore a new record. The German capital is currently breaking one record after another on both the investment and office markets. As expected, Munich came in second with 622,000 m², which corresponds to a decline of 10% compared to last year's all-time high. Hamburg and Düsseldorf follow head to head in positions three and four. While the Hanseatic city with 413,000 m² can roughly maintain the previous year's result (-1%), the Rhineland metropolis with 406,000 m² (+42%) sets a new volume record. Frankfurt failed just short of the 400,000 m² mark with 397,000 m² (of which 370,000 m² were generated in the narrowly defined gif area), which equates to a decline of almost 17%. Cologne was also able to increase its result with 220,000 m² (+9.5 %). The cathedral city has thus finally established itself at a higher level. Essen recorded a new all-time high with 140,000 m² (+35%). At 108,000 m² (2%), Leipzig just missed last year's Q1-3 record.

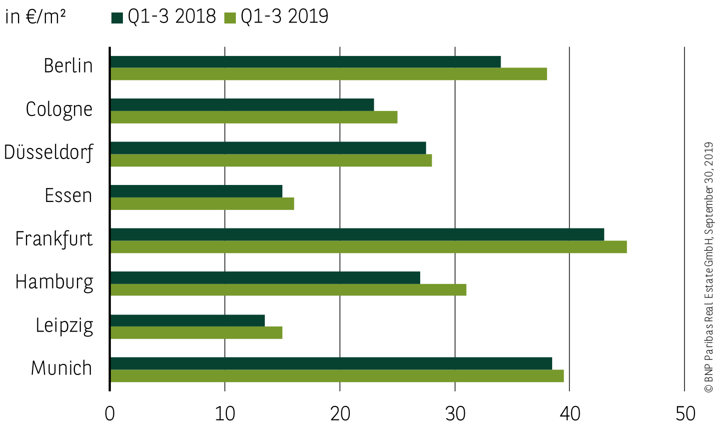
MAJOR DEALS CONTRIBUTE ABOVE AVERAGE

The recorded result would not have been possible without a whole series of large deals. It is therefore not surprising that contracts for more than 5,000 m² account for a high proportion of take-up (around 40%), around 10 percentage points above the long-term average. The size class between 2,000 and 5,000 m² also has a relatively high share of 18%. Overall, there is a broad distribution across all market segments, so that all categories from 200 to 2,000 m² also contribute between 12 and 15 % to the outcome.

Vacant space in Q1-3 2018 and Q1-3 2019



Top rents in Q1-3 2018 and Q1-3 2019



VACANCY REDUCTION CONTINUES

Due to the continuing good demand, which is reflected in correspondingly high take-up, vacancy reduction is continuing. In the last 12 months, it has fallen by almost 11% across all locations to currently 3.81 million m². Therefore it is still below the 4 million m² mark. Of this total volume, only just under 1.14 million m² still have modern space quality. Viewed across all locations the vacancy rate has fallen to just 4%, the lowest figure ever recorded.

GROWTH OF RENTS SPEEDS UP

In a year-on-year comparison, prime rents rose by an average of a good 7%. The strongest increase was recorded in Hamburg with just under 15%. At 31 €/m², the 30 €/m² threshold was crossed for the first time. Similarly strong growth was reported in Berlin with just under 12% to 38 €/m² and Leipzig with 11% to 15 €/m². In the German capital, it is only a matter of time before the 40-€/m² mark will be exceeded. Munich has also set its next target at the 40-€/m² threshold. Currently, 39.50 €/m² (+3%) are noted here.

OUTLOOK

From today's perspective, everything points to the fact that the demand momentum of the first nine months will continue in the final quarter, in which traditionally the highest take-up is generated. This is also supported by the fact that large rental agreements are about to be signed in several cities, which means that for the year as a whole, take-up will be around the previous year's level. However, it remains to be seen whether the 4 million m² mark will be exceeded for the third time in a row. Rents will also continue to rise due to the continuing tense supply/demand situation.

Office market indicators Q1-3 2019

	Top rent* (€/m²)	Take-up (m²)	Vacant space (m²)				Space under construction (m²)		Space on offer (m²)	
		Q1-3 2019	total	modern	of this, since completion	Vacancy rate	total	available	available	projected
1	2	3	4	5	6	7	8	9	10 = (4 + 9)	11
Berlin	38.00	726,000	324,000	91,000	16,000	1.6%	1,078,000	487,000	811,000	3,011,000
Cologne	25.00	220,000	196,000	47,000	2,000	2.5%	183,000	40,000	236,000	275,000
Düsseldorf	28.00	406,000	810,000	188,000	8,000	8.5%	243,000	48,000	858,000	446,000
Essen	16.00	140,000	106,000	23,000	1,000	3.4%	77,000	8,000	114,000	231,000
Frankfurt	45.00	397,000	1,109,000	544,000	66,000	7.2%	575,000	314,000	1,423,000	1,295,000
Hamburg	31.00	413,000	582,000	115,000	31,000	4.2%	337,000	56,000	638,000	920,000
Leipzig	15.00	108,000	192,000	35,000	0	5.1%	75,000	8,000	200,000	138,000
Munich	39.50	622,000	495,000	94,000	19,000	2.3%	1,273,000	543,000	1,038,000	2,178,000
Total		**3,032,000**	**3,814,000**	**1,137,000**	**143,000**		**3,841,000**	**1,504,000**	**5,318,000**	**8,494,000**

© BNP Paribas Real Estate GmbH, September 30, 2019

* 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".

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 30.09.2019

Further Information BNP Paribas Real Estate Germany | Marcus Zorn, Deputy CEO | Telephone +49 (0)69-298 99-0 | marcus.zorn@bnpparibas.com | www.realestate.bnpparibas.de