

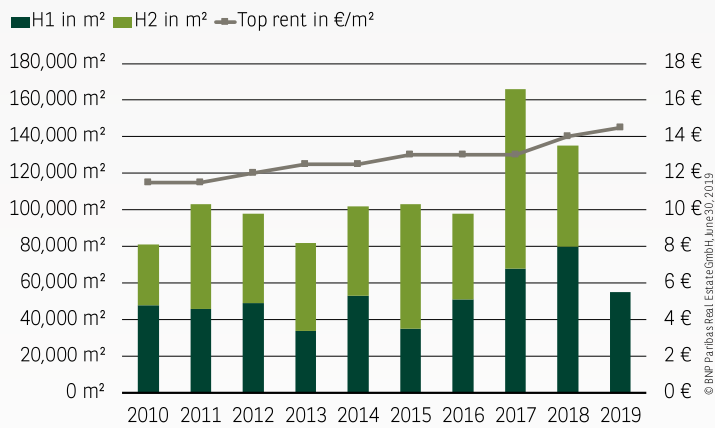


RESEARCH

At a Glance **Q2 2019**

OFFICE MARKET LEIPZIG

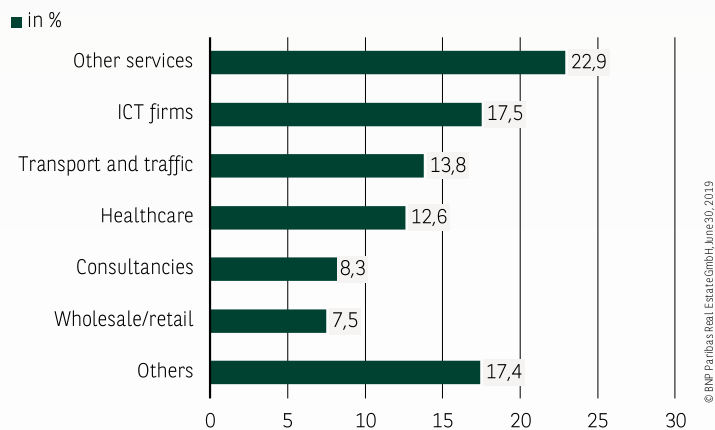
Development of take-up and top rents



➤ AVERAGE RESULT AT HALF-YEAR

After a very good start into the year, the Leipzig office market, with a letting volume of 55,000 m², cannot repeat the record result of 2018 (-31%). Following two years of strong turnover, the outcome is slightly above the 10-year average (approx. 52,000 m²). The take-up volume can be explained in particular by the lack of major deals, as no deal with more than 5,000 m² has been concluded so far this year. This is mainly due to the shortage of large spaces with modern quality in the city locations. The largest letting up to now was made by the courier and logistics company FedEx Express Germany (3,300 m²). Another striking aspect is the broad distribution of space take-up across all office market zones, only the city centre stands out with just under 10,000 m².

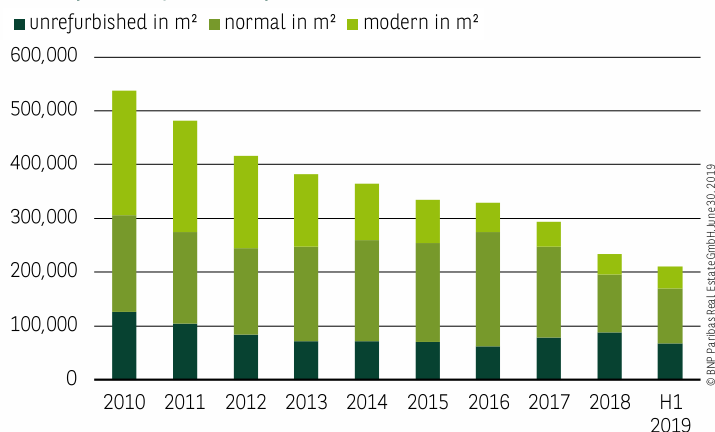
Take-up by sector H1 2019



➤ BALANCED DISTRIBUTION OF DEMAND

The sector analysis shows a diversified distribution. At just under 23% other services came in first, followed by the traditionally strong ICT technologies (17.5%). The deal by FedEx Express Germany has also enabled the transport and traffic sector (around 14%) to take a decisive place on the podium and also contribute an extraordinarily high share in a long-term comparison. Health care companies (about 13%) are also adding a double-digit result to the market. Finally, the trade sector (7.5%) also performed remarkably well, with the highest share in the last ten years.

Development of vacant space



➤ VACANCY RATE CONTINUES TO FALL

The vacancy rate on the office market in the Saxon metropolis has fallen by a further 21% in the past twelve months and stands at 211,000 m² at the end of the first half of the year. Not even a fifth of this space has the modern quality that is in great demand by users. This shortfall is also reflected in the vacancy rate, which fell by 0.6 percentage points to 5.6% compared with the end of last year. In geographical terms, only about 36% of the vacant space is located in the city centre and the centre fringe, while almost two thirds is located in the subcentres and the periphery.

Major contracts

Sub-market	Company	m ²
2.1	FedEx Express Germany	3,300
3.1	Eurofins Institut Dr. Appelt	2,900
3.4	Otto	2,800
3.5	Forcont Business Technology	1,200
2.5	Municipal waterworks Leipzig	1,100
1.1	diva-e Platforms	900

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➤ STRONG INCREASE IN CONSTRUCTION ACTIVITY

The market is responding to the high demand for modern office space with a major increase in construction activity. Space under construction gained almost 83% over the previous year and now totals 84,000 m². However, the supply situation is not expected to ease for the time being as 90% have already been pre-let or occupied by owner-occupiers, so that the market currently has only 9,000 m² available. Due to individual construction projects, such as the new SAB headquarter in Gerberstrasse and the construction of the "P2 Office" office complex on the old exhibition grounds, construction activity is concentrating particularly on the Ringlage office market zone (27,600 m²) and Leipzig-Süd/Karl-Liebknecht-Strasse (33,000 m²).

Trends in important market indicators

	H1 2018	H1 2019	Trend remaining year
Take-up	80,000 m ²	55,000 m ²	➔
Vacant space	268,000 m ²	211,000 m ²	➘
Space under construction (total)	46,000 m ²	84,000 m ²	➔
Space under construction (available)	9,000 m ²	9,000 m ²	➔
Top rent	13.50 €/m ²	14.50 €/m ²	➔

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➤ SUCCESSIVE INCREASE IN RENTS CONTINUES

The dynamic development on the Leipzig office market is also reflected in rents. Over the last 12 months an increase in prime rents from a good 7% to 14.50 €/m² has been observed. At the submarket level, the largest growth was recorded in the office market zone Ringlage, where the top rent rose by a whopping 24% year-on-year. The average office rent, which at 10 €/m² is now almost 10% above the previous year's level, has also developed remarkably.

➤ OUTLOOK

Despite the moderate half-year result on the Leipzig office market, the second half of the year can be viewed optimistically due to the continuing high demand and the overall stable conditions. Against the background of a further increase in construction activity, a slightly above-average outcome does not appear unlikely. In line with market developments, the upward trend in rents is also expected to continue.

Key indicators H1 2019

	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	H1 2019	total	modern	of this, since completion	total	available	available	projected
Submarkets**	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre		14.50	9,700	19,700	4,000	0	0	0	19,700	900
2 Centre Fringe/ Centre Relief Area	8.90	- 13.00	20,100	55,700	15,400	0	30,600	1,000	56,700	53,100
3 Subcentres	7.70	- 11.00	22,400	112,300	17,300	0	47,400	8,000	120,300	80,000
4 Periphery	6.90	- 7.20	2,800	23,300	4,300	0	6,000	0	23,300	23,000
Total			55,000	211,000	41,000	0	84,000	9,000	220,000	157,000

* 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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