

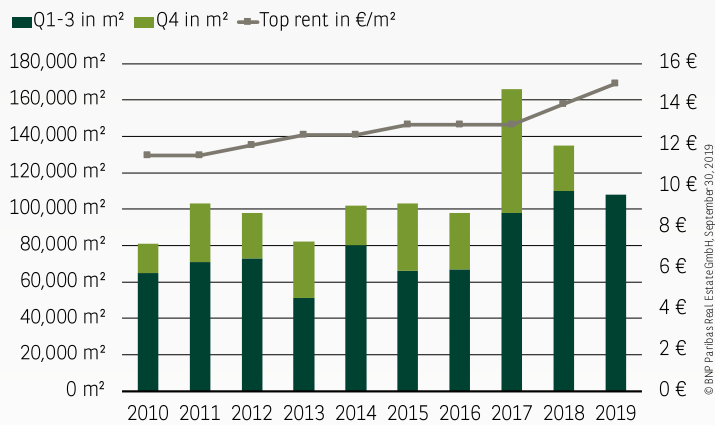


**RESEARCH**

At a Glance **Q3 2019**

# OFFICE MARKET LEIPZIG

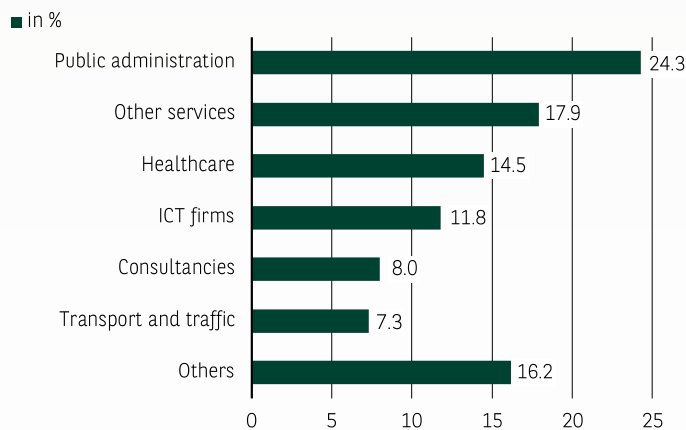
### Development of take-up and top rents



### ➤ VERY STRONG TAKE-UP IN THE THIRD QUARTER

After the solid half-year result on the Leipzig office market, an impressive volume of 108,000 m² was recorded at the end of the third quarter. This result is almost at the same level of the previous year (-2%) and exceeds the long-term average by an incredible 37%. For the second year in a row, the Saxon metropolis has thus been able to report an outcome in excess of the 100,000 m² mark after only nine months. The result was possible due to several major deals that were missing in the first half of the year. The three largest contracts of the year to date were all concluded in the third quarter. The balanced distribution of the volume over the entire market area continues to be remarkable, with the City Centre once again demonstrating its position as the most important office submarket with almost 17% of the take-up.

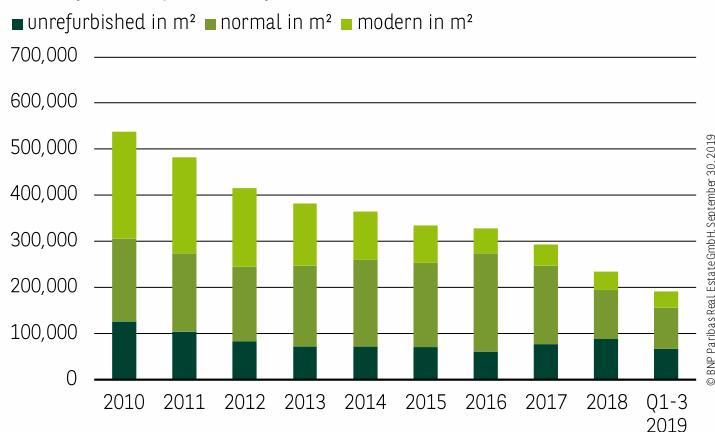
### Take-up by sector Q1-3 2019



### ➤ PUBLIC SECTOR TAKES OVER TOP POSITION

The sector analysis of the Leipzig office market shows a diversified demand of different industries. With contracts for 6,800 m² in the Leipzig West submarket and 4,400 m² in the City Centre, which are also the two largest lettings of the year to date, public administration occupies the top position in the industry ranking with a good 24%. The traditionally high take-up category of other services (around 18%) ranks second. The last place on the podium went to firms in the healthcare sector (14.5%), whose results benefited significantly from the new office construction of the Johanniter-Akademie Mitteldeutschland in the submarket Graphisches Viertel/Prager Straße. Finally (of 3,500 m²), ICT companies (almost 12%) can also make a double-digit contribution to the overall outcome.

### Development of vacant space



### ➤ SHORTAGE OF VACANCY PROGRESSES

The high take-up since 2017 has led to a shortage of vacant office space in the city of Leipzig. Vacancy fell by a good 22% in the last twelve months and amounts to 192,000 m² at the end of the third quarter, which corresponds to a vacancy rate of 5.1%. This is the first time that the vacancy figure has fallen below the 200,000 m² mark and is significantly less than half of the volume of 2010. The supply of space with modern quality, which is in most demand by companies, is particularly low. With 35,000 m² only 18% of the available space meets these standards.

## Major contracts

Sub-market	Company	m <sup>2</sup>
3.5	Public Administration	6,800
1.1	Public Administration	4,400
2.5	Johanniter-Akademie Mitteldeutschland	3,500
2.1	FedEx Express Germany	3,300
3.1	Eurofins Institut Dr. Appelt	2,900
3.4	Otto	2,800

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## ► CONSTRUCTION ACTIVITY INCREASING - BUT NOT IN THE CITY

Property developers are reacting to the shortage of vacancy with increased activity. Currently 75,000 m<sup>2</sup> of office space is under construction, but only just under 11% are still available to the letting market. Accordingly, construction activity does not really relieve the supply situation. This becomes particularly clear when looking at the total available space (vacancy + available space under construction), which at 200,000 m<sup>2</sup> is almost 22% below the previous year's figure. It is also noteworthy that the newly created space is primarily being built in the submarkets of the Centre Fringe and in the Subcentres, whereas due to a lack of development opportunities no new office space is currently being developed in the City, which is actually in high demand.

## ► DYNAMIC DEVELOPMENT OF RENTS CONTINUES

As a result of the supply/demand ratio described above, the rise in Leipzig office rents is not surprising. In the last twelve months, the city of Leipzig has recorded an increase in top rents by a good 11% to currently 15 €/m<sup>2</sup>. In the past twelve months, this rent growth has only been achieved in cities such as Hamburg (15%) or Berlin (12%), which once again underlines the special vitality of the Leipzig office market. The average rent also increased by a whopping 12% compared to Q3 2018 and is noted at 10 €/m<sup>2</sup>.

## ► OUTLOOK

The development on the Leipzig office market can be viewed as very positive, especially due to the strong third quarter; the tense supply situation alone remains a limiting factor. Against the backdrop of the general increase in activity on the real estate market in the fourth quarter, an above-average annual result can be expected.

## Trends in important market indicators

	Q1-3 2018	Q1-3 2019	Trend remaining year
Take-up	110,000 m <sup>2</sup>	108,000 m <sup>2</sup>	↗
Vacant space	247,000 m <sup>2</sup>	192,000 m <sup>2</sup>	↘
Space under construction (total)	65,000 m <sup>2</sup>	75,000 m <sup>2</sup>	↗
Space under construction (available)	8,000 m <sup>2</sup>	8,000 m <sup>2</sup>	↗
Top rent	13.50 €/m <sup>2</sup>	15.00 €/m <sup>2</sup>	↗

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## Key indicators Q1-3 2019

Submarkets**	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	Q1-3 2019	total	modern	of this, since completion	total	available	available	projected
	1	2	3	4	5	6	7	8 = (3 + 7)	9	
1 City Centre										
1.1 City Centre	15.00		18,300	18,900	4,500	0	0	0	18,900	900
2 Centre Fringe/ Centre Relief Area	9.00 - 13.50		31,400	53,800	14,800	0	39,300	500	54,300	20,600
3 Subcentres	7.90 - 11.00		48,400	97,000	11,400	0	29,500	7,500	104,500	93,500
4 Periphery	7.50 - 7.50		9,900	22,300	4,300	0	6,200	0	22,300	23,000
<b>Total</b>			<b>108,000</b>	<b>192,000</b>	<b>35,000</b>	<b>0</b>	<b>75,000</b>	<b>8,000</b>	<b>200,000</b>	<b>138,000</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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