

# OFFICE MARKET GERMANY PROPERTY REPORT 2020



RESEARCH



**BNP PARIBAS  
REAL ESTATE**

Real Estate  
for a changing world

# CONTENTS

Executive summary .....	3
The German office locations at a glance .....	5
Office investment.....	10
Berlin.....	12
Cologne.....	16
Düsseldorf.....	20
Essen.....	24
Frankfurt .....	28
Hamburg.....	32
Leipzig.....	36
Munich.....	40

# IMPRINT

**Publisher and copyright:** BNP Paribas Real Estate GmbH  
**Prepared by:** BNP Paribas Real Estate Consult GmbH  
**Realisation:** KD1 Designagentur, Cologne

**Cover:** bloomimages  
**Status:** January 2020  
**Circulation:** 400



All rights reserved. This Property Report is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

The statements, notifications and forecasts provided here correspond to our estimations at the time when this report was prepared and can change without notice. The data come from various sources which we consider reliable but whose validity, correctness or exactness we cannot guarantee. Explicitly, this report does not represent a recommendation of any kind, nor should it be regarded as forming a basis for making any decisions regarding investments in or the letting or rental of property or premises. BNP Paribas Real Estate can accept no liability whatsoever for any information contained or statements made herein.

# EXECUTIVE SUMMARY

## Second-best result of all time: Take-up of almost 4.1 million m<sup>2</sup>

In 2019, the take-up of office space at the eight German locations of Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig and Munich totalled 4.08 million m<sup>2</sup>. This was almost 2 % up on the previous year's very good result.

## Very good take-up on all major office markets

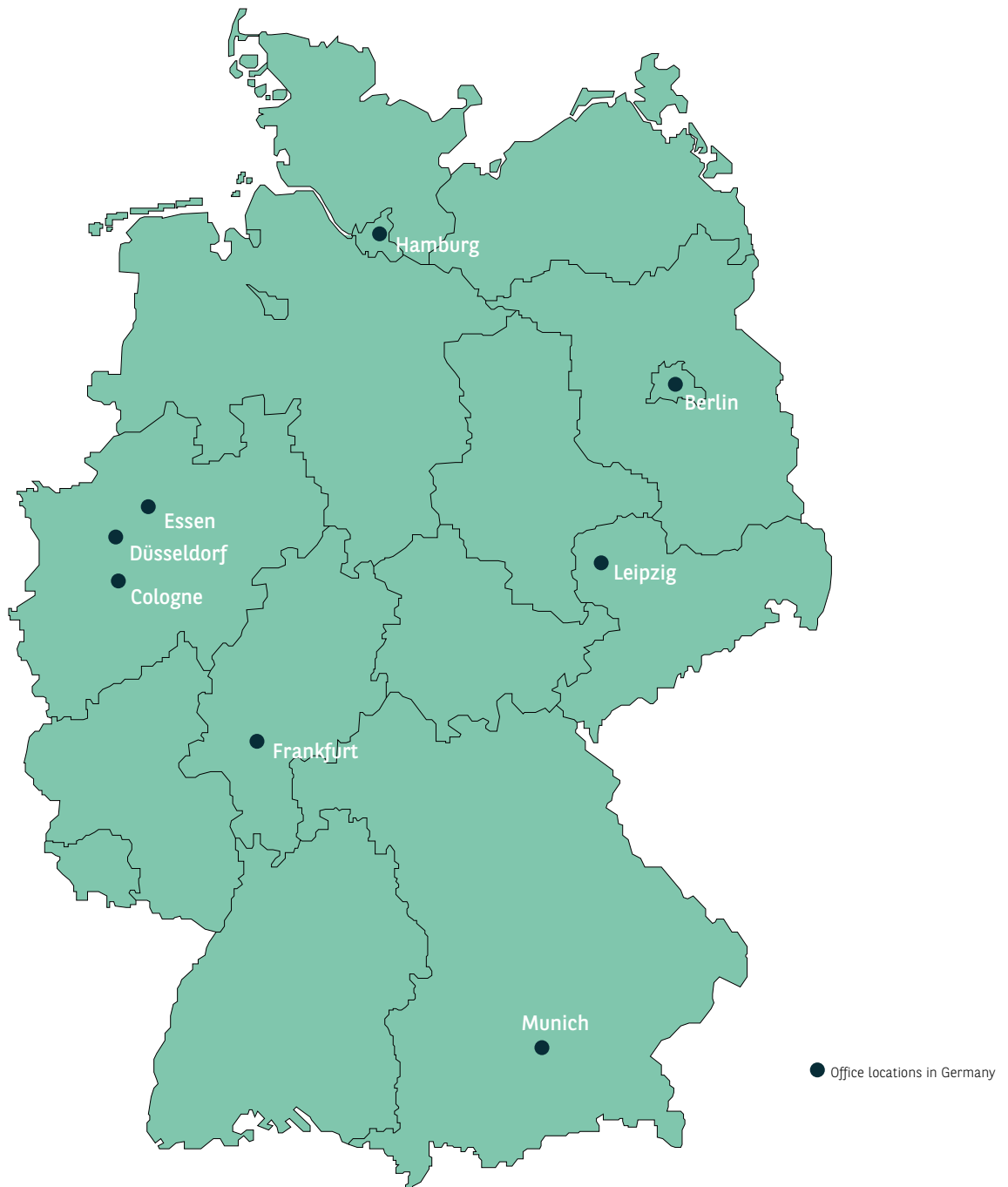
- ▶ Berlin is the undisputed leader among the German locations, with take-up of almost 1.02 million m<sup>2</sup> not only surpassing the previous year's result by 22 % but also setting a new all-time record.
- ▶ This is the first time that any German city has reported take-up in excess of 1 million m<sup>2</sup>.
- ▶ Munich ranks second on 770,000 m<sup>2</sup> (-20 %), followed by Frankfurt, on 635,000 m<sup>2</sup> (-6 %).
- ▶ Düsseldorf reported the strongest growth (+41 %) to achieve a new all-time high of 536,000 m<sup>2</sup>.

## Vacancy rate drops below 4 %

- ▶ The strong demand has led to a further decline in the volume of vacant space, which currently amounts to a good 3.68 million m<sup>2</sup> across all locations.
- ▶ The average vacancy rate across all cities has consequently dropped below the 4 % threshold, to 3.9 %.
- ▶ The lowest vacancy rates apply in Berlin (1.5 %), Munich (2.4 %), Cologne (2.8 %) and Essen (3.5 %).
- ▶ Just under 3.88 million m<sup>2</sup> of office space (+10 %) was under construction at the end of 2019. Only around 44 % of this total remains available to the market, however.

## Rents continue to rise, as expected

- ▶ Prime rents have risen by just under 6 % on average across all the locations.
- ▶ The sharpest increases were reported in Berlin and Leipzig (+11 %), Cologne (+8 %), Hamburg (+7 %), Essen (+7 %) and Frankfurt (+2 %).
- ▶ In addition to the prime rents, the average rents have also risen markedly and are on average 5.5 % higher than in 2018.



## REMARKS

**Take-up** comprises space let under new lease agreements concluded by 31.12.2019, irrespective of when tenants actually occupy their new premises. It does not include space let under lease agreements that have simply been renewed or extended, nor does it include the exercising of previously agreed options. Take-up by owner-occupiers is included in line with the definition laid down by the German Society for Property Business Research (gjf).

The **rent levels** given refer exclusively to agreements concluded in 2019 and represent the nominal net rent per square metre of lettable space per month.

**Vacant space** is unoccupied office space available for letting in existing buildings which will be ready for occupation by 31.03.2020. This also includes space without contractual ties registered by 31.12.2019 as well as unlet new space which has to be developed for tenants. Premises that have not been let at all since completion are classified as newly built vacant space for a period of up to 18 months.

**Available space** is calculated as follows:

Unoccupied space  
 + Available space under construction  
 = Available space

**Projected space** is space where a building permit has been issued or a permit is likely to be issued on application.



# THE GERMAN OFFICE LOCATIONS AT A GLANCE

## ➤ SECOND-BEST RESULT OF ALL TIME: TAKE-UP OF 4.1 MILLION m<sup>2</sup>

Despite a faltering overall economy, 2019 proved a highly successful year for the German office markets. Take-up totalling 4.08 million m<sup>2</sup> not only surpassed the previous year's very good result by almost 2% but also marked the second-best result ever, after 2017. A widely forecasted decline in take-up as a symptom of an ifo index which remained on a downward trend into the autumn failed to materialise. This is attributable to a number of underlying influencing factors. First and foremost, the continuing stable to positive trend for the labour market is to be mentioned in this connection. Beyond this, the prevailing demographic trends and the resultant war for talents combined with employees' rising expectations with regard to their work environment is generating further

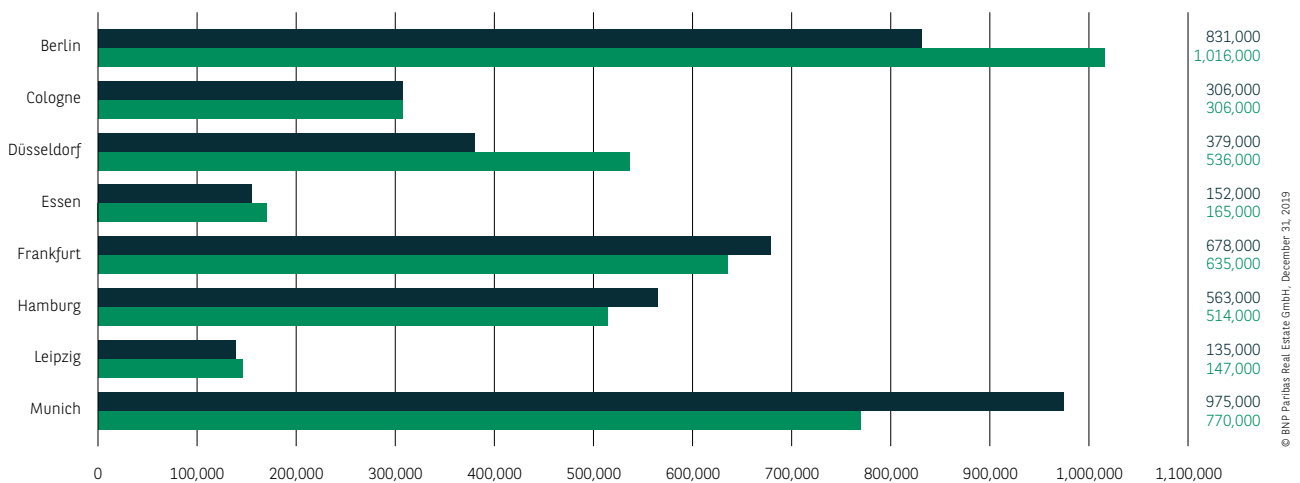
demand, as many companies now consider it imperative to rent attractive and modern office premises. It should also be noted that the service sector was less severely affected than industry by the sluggish economy in 2019. The ifo index rose again for the third time in succession in December 2019, with the specific indicator for the service sector even attaining its highest level for six months.

Berlin is the undisputed leader, with take-up of almost 1.02 million m<sup>2</sup> not only surpassing the previous year's result by 22% but also setting a new all-time record: This is the first time that any German city has reported take-up in excess of 1 million m<sup>2</sup>. As expected, Munich follows up in second place with 770,000 m<sup>2</sup>. The Bavarian state capital's take-up was down by around one fifth on its performance in the two ex-

## TAKE-UP IN 2018 AND 2019

■ m<sup>2</sup> in 2018, total 4,019,000 m<sup>2</sup>

■ m<sup>2</sup> in 2019, total 4,089,000 m<sup>2</sup>



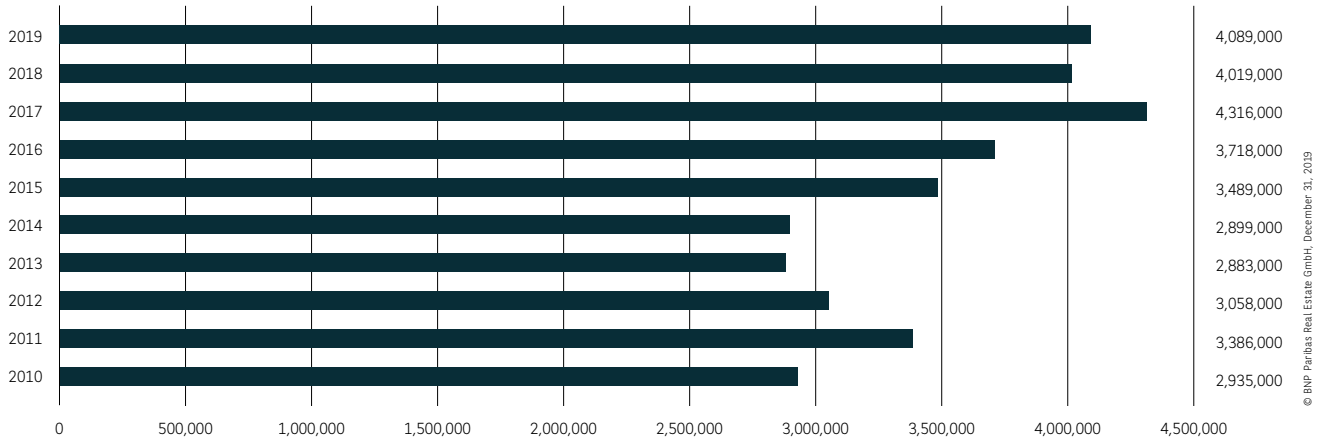
ceptional preceding years, however, in which its take-up was only just short of the one million m<sup>2</sup> mark. Düsseldorf showed the strongest growth, at 41%, and reported a new all-time high of 536,000 m<sup>2</sup>. This result was attributable to a large number of major deals over 10,000 m<sup>2</sup>, the likes of which are not to be expected every year. Essen also achieved an all-time high of 165,000 m<sup>2</sup> (+9%), building on its strong result from 2018. Leipzig showed a similar picture, with 147,000 m<sup>2</sup> marking an increase of 9% and the second-best result of all

time. In Cologne, the general upward trend of recent years was consolidated with up-take totalling 306,000 m<sup>2</sup> – precisely the same result as in 2018. Frankfurt and Hamburg experienced a decline in take-up. In Frankfurt, take-up fell by 6% to 635,000 m<sup>2</sup> (including 573,000 m<sup>2</sup> in the more narrowly demarcated market area as defined by the German Society of Property Researchers – GIF), while in Hamburg the year-end figure was down by 9% to 514,000 m<sup>2</sup>, which is on a par with the multi-year average.

## TOTAL TAKE-UP OF SELECTED OFFICE CENTRES FROM 2010 TO 2019

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

■ in m²



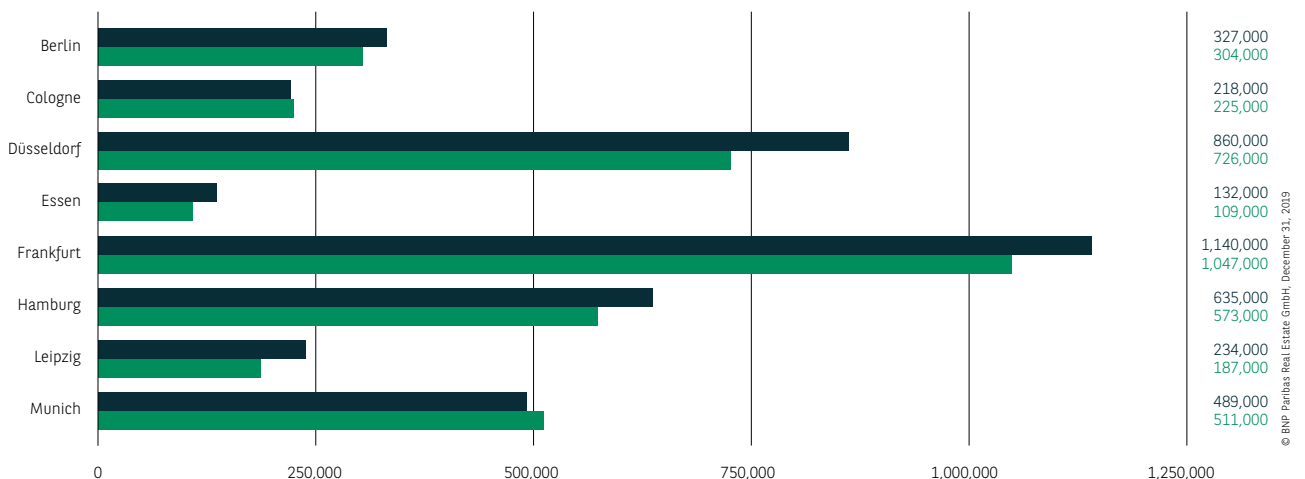
### ➤ VACANCY RATE DROPS BELOW 4 %

The strong demand has led to a further decline in the volume of vacant space, which amounts to a good 3.68 million m² across all locations. This represents a drop of almost 9 % and the second-lowest level of all time. The average vacancy rate has dropped below the 4 % threshold, to 3.9 %. Modern vacant space has shrunk by 12 % and stands at 1.06 million m². This means that less than 29 % of the total volume now meets

the requirements of today's tenants. Vacant space has declined in all locations with the exception of Munich and Cologne. In the Bavarian state capital it rose slightly by 4.5 % to 511,000 m². The extent to which the market is in urgent need of this additional supply is indicated by the fact that this still represents the second-lowest level of the past 15 years and that the vacancy rate is only 2.4 %. Cologne presents a similar picture: while 225,000 m² amounts to an increase of 3 %, the

## VACANT SPACE IN 2018 AND 2019

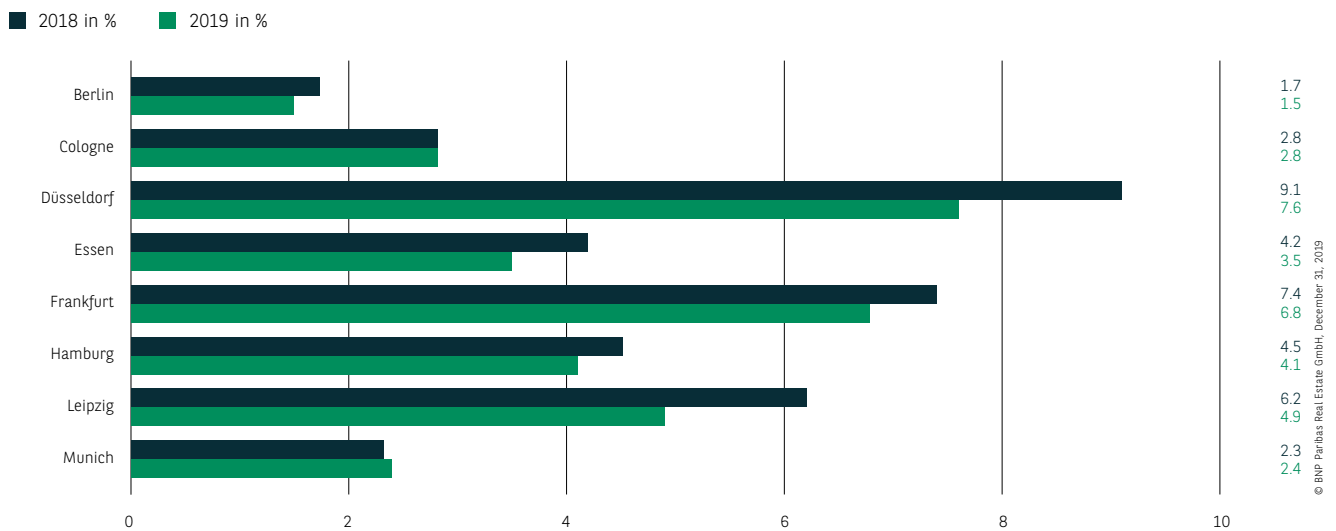
■ m² in 2018, total 4,035,000 m² ■ m² in 2019, total 3,682,000 m²



vacancy rate nevertheless stands at only 2.8 %. Berlin continues to harbour the largest supply bottleneck, with the volume of vacant space down by 7 % to 304,000 m<sup>2</sup>. This leaves the vacancy rate at only 1.5 %, which means that the lion's share of take-up can now only be achieved in new developments. The sharpest drops were to be observed in Leipzig (187,000 m<sup>2</sup>; -20 %), Essen (109,000 m<sup>2</sup>; -17 %) and Düsseldorf (726,000 m<sup>2</sup>; -16 %). In Düsseldorf, the vacancy rate stands

at 7.6 % for the market as a whole and only 5.3 % for the municipal area. The vacant volume in Frankfurt currently stands at just under 1.05 million m<sup>2</sup>, which represents a drop of a good 9 % and sees the vacancy rate slip down below the 7 % threshold, to 6.8 %. At 4.1 %, the vacancy rate has now also hit its lowest level of the past 20 years in Hamburg, following a good 10 % drop in vacant space to 573,000 m<sup>2</sup>.

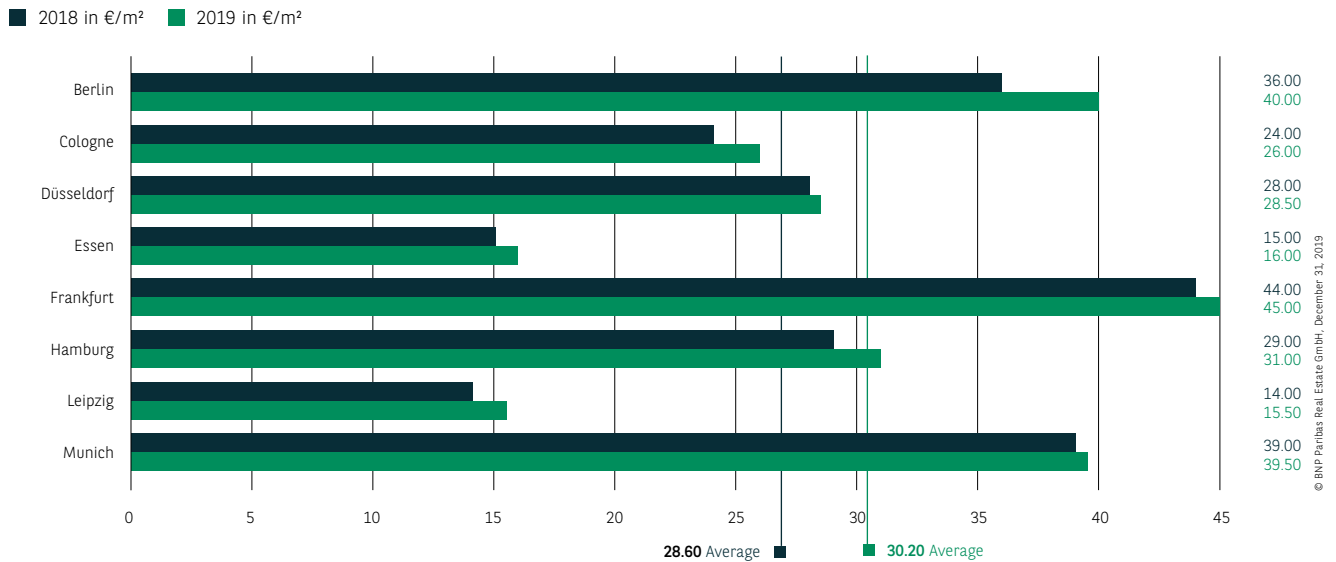
#### VACANCY RATES IN 2018 AND 2019



In contrast to vacant space, the second supply component – new space – has remained on an upward trend, growing by almost 10 %. Just under 3.88 million m<sup>2</sup> of office space was under construction in the analysed cities at the end of 2019 – almost as much as at the beginning of the millennium. A different situation applies today, however: While two thirds of the volume under construction were not pre-let at the beginning of 2001, the corresponding figure now stands at only 44 %. Berlin reported the largest growth in vacant space, at 49 % (1.32 million m<sup>2</sup>). Against the backdrop of the continuing very tight supply/demand ratio in the German capital, there is an urgent need for such a development. Substantial growth

was also to be observed in Düsseldorf, at 28 % (211,000 m<sup>2</sup>) and Hamburg, at just under 25 % (432,000 m<sup>2</sup>). The share of this volume which remains available to the market is already very low in both Düsseldorf (19 %) and Hamburg (33 %), however. The volume under construction has also risen in Leipzig (77,000 m<sup>2</sup>), where rents have now reached a level which makes property developments economically viable. In contrast, construction activity already shows a year-on-year drop once again in Munich (-16 %; 1.03 million m<sup>2</sup>) and Cologne (-49 %; 106,000 m<sup>2</sup>). Frankfurt (+7 %; 630,000 m<sup>2</sup>) and Essen (+12 %; 68,000 m<sup>2</sup>) showed comparatively moderate increases.

## TOP RENTS IN 2018 AND 2019



### ➤ FURTHER RENT RISES, AS EXPECTED

Prime rents rose on average by just under 6%. Particularly sharp hikes were to be observed in Berlin, where a rise of a good 11% took the prime rent to 40 €/m<sup>2</sup>, and in Leipzig (+11%). Cologne reported an increase of 8% to 26 €/m<sup>2</sup>. Hamburg and Essen also saw their top rents rise by almost 7%. In Hamburg the 30 €/m<sup>2</sup> threshold was breached, at 31 €/m<sup>2</sup>. Düsseldorf is not all too far off this mark, either, at 28.50 €/m<sup>2</sup> (+2%). A similar situation applies in Munich, where the prime rent is now nudging 40 €/m<sup>2</sup>, at 39.50 €/m<sup>2</sup> (+1%). Frankfurt has long since taken this hurdle, reporting a rise of a good 2% to a current level of 45 €/m<sup>2</sup>.

### ➤ 2020: STRONG DEMAND SHOULD CONTINUE

The underlying signs for the German office markets remain upbeat for 2020, too, thanks to a whole range of positive factors: First and foremost, the overall economic picture is brightening, its upturn corroborated by rising leading indicators such as the ifo or ZEW index. This is expected to drive an overall positive trend for the labour market. This outlook is underpinned by substantially improved prospects of an easing

of global risks and uncertainties, such as the trade dispute between the USA and China or the actual implementation of Brexit, and the return of a more stable planning scenario for business and the economy. At the same time, the above-mentioned underlying trends will continue to apply with regard to the workforce situation at companies and will generate additional demand. The situation concerning vacant space thankfully appears to be close to bottoming out at a number of locations, thus at least warding off any further worsening of the supply bottlenecks. There is no sign of any substantial easing of the situation in many locations, however, in view of which a continuing upward trend for rents is to be expected. This is due in part to the fact that a major portion of the prevailing demand can only be met in property developments for which higher rents are an inevitable consequence of the marked increases in land prices and construction costs in recent years. On the basis of the outlined terms of reference, as things stand 2020 is again set to yield an above-average take-up. It will become apparent in the course of the year whether the 4 million m<sup>2</sup> threshold can be breached for the fourth time in succession.



## OFFICE MARKET INDICATORS

	Rent (€/m <sup>2</sup> )		Take-up (m <sup>2</sup> )		Vacant space (m <sup>2</sup> )				Vacancy rate	Space under construction (m <sup>2</sup> )		Total space on offer (m <sup>2</sup> )
	Top rent*	Average rent	2019	Change compared to 2016	total	modern	normal	unrefur- bished		total	available	available
	1	2	3	4	5=(6+7+8)	6	7	8		9	10	11
Berlin	40.00	26.40	1,016,000	22.3%	304,000	84,000	207,000	13,000	1.5%	1,318,000	701,000	1,005,000
Cologne	26.00	15.20	306,000	0.0%	225,000	48,000	170,000	7,000	2.8%	106,000	36,000	261,000
Düsseldorf	28.50	16.30	536,000	41.4%	726,000	170,000	550,000	6,000	7.6%	211,000	41,000	767,000
Essen	16.00	12.00	165,000	8.6%	109,000	23,000	80,000	6,000	3.5%	68,000	3,000	112,000
Frankfurt	45.00	19.90	635,000	-6.3%	1,047,000	477,000	561,000	9,000	6.8%	630,000	330,000	1,377,000
Hamburg	31.00	17.70	514,000	-8.7%	573,000	108,000	420,000	45,000	4.1%	432,000	142,000	715,000
Leipzig	15.50	10.80	147,000	8.9%	187,000	31,000	79,000	77,000	4.9%	77,000	8,000	195,000
Munich	39.50	20.00	770,000	-21.0%	511,000	119,000	392,000	0	2.4%	1,034,000	457,000	968,000
<b>Total 2019</b>	<b>30.20</b>	<b>17.30</b>	<b>4,089,000</b>		<b>3,682,000</b>	<b>1,060,000</b>	<b>2,459,000</b>	<b>163,000</b>		<b>3,876,000</b>	<b>1,718,000</b>	<b>5,400,000</b>
Changes 2018/2019			1.6%		-8.7%	-11.8%	-7.4%	-6.9%		9.6%	19.1%	-1.4%

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# OFFICE INVESTMENT

## NEW ALL-TIME HIGH

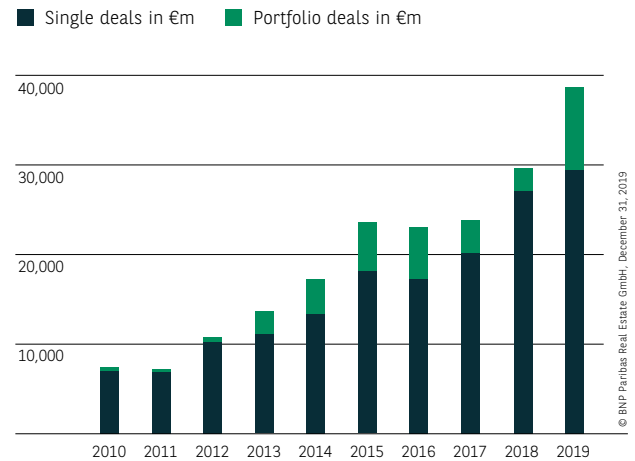
2019 took the commanding performance of recent years to a new level. A transaction volume of just under €38.7 billion set a new record, outstripping the previous year's very good result by around 30%. Individual transactions were one contributory factor here, with a total value of €29.4 billion marking a new all-time high and surpassing the previous year's result by a good 8%. This performance was fuelled in particular by a large number of high-volume sales, with 70 transactions reported in the price range above €100 million. The most important deals in this category include the Squire, which additionally incorporates hotel usage, and Die Welle (both in Frankfurt), the Stream in Berlin and the Siemens Campus in Munich. Portfolios also upped their game, almost quadrupling their turnover to €9.2 billion – the best result for more than ten years. Prominent examples here are the sale of the Millennium portfolio for a good €2.5 billion, which was overseen by BNP Paribas Real Estate, and Blackstone's takeover of Canadian REIT Dream Global for a good €3 billion (German share).

## A-CITIES ALSO HIT ALL-TIME HIGH

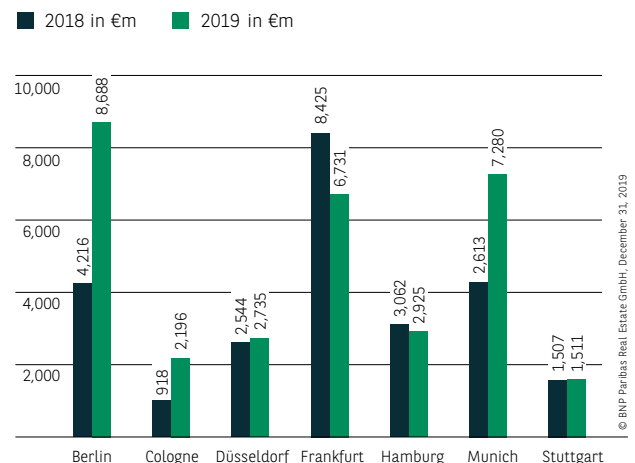
The strong demand for office properties above all benefited A-locations, which also reported a new all-time high at a good €32 billion, representing a rise of around 29%. Berlin remains the uncontested leader, more than doubling its result and setting a new record of just under €8.7 billion. Munich follows up in second place, also setting a new record with just under €7.3 billion (+71%). The leading trio is rounded off by Frankfurt on a good €6.7 billion (-20%), which represents only the second-best result of all time on account of the extraordinary previous year. New all-time highs were also reported by Düsseldorf, with a good €2.7 billion (+8%) and Cologne, with just under €2.2 billion (+139%). Hamburg (a good €2.9 billion) and Stuttgart (around €1.5 billion) remained roughly on a par with the previous year's performance.

In terms of individual sales only, cities outside the A-locations amassed €4.2 billion, thereby contributing around 14% to the overall result. They were unable to benefit from the upward trend on a scale similar to the A-cities, increasing their result by only 2%. In addition to the fact that many investors are focused on the major cities, a further contributory factor here is no doubt an inadequate supply, particular in the area of property developments.

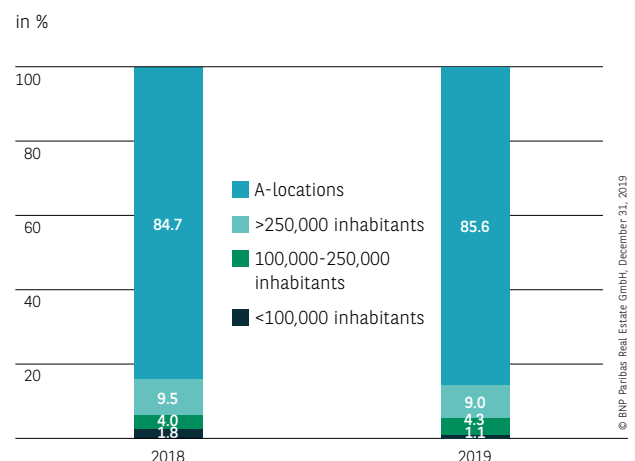
## OFFICE INVESTMENTS IN GERMANY



## OFFICE INVESTMENTS IN THE A-LOCATIONS



## OFFICE INVESTMENTS BY CITY CATEGORY\*



➤ MAJOR DEALS STIMULATING THE MARKET

The increase in turnover is primarily attributable to major deals in the price range above €100 million, which showed a 58 % rise to just under €25.8 billion. This performance was also driven by the sale of a number of major property developments. The total transaction volume also rose slightly in the range between €25 million and €100 million, while smaller properties in the range up to €25 million actually suffered slight losses on account of an inadequate supply.

➤ SPECIAL-PURPOSE FUNDS LEAD THE RANKING

Almost one third of the transaction volume was invested through special-purpose funds, which thus further consolidated their dominant position from the previous year. Second place goes to investment managers with a share of just under 14 %. These applied various vehicles for their clients, including club deals and individual mandates. Substantial shares of the overall transaction volume were also generated by listed real estate companies/REITs and pension funds, each of which contributed just under 9 %, and by open-ended funds (around 7 %).

➤ TOP YIELDS REMAIN ON THE DECLINE

The strong demand and the continuing positive yield spread in the direction of alternative forms of investment have maintained the pressure on yields, resulting in a further slight drop in office prime yields in the final quarter. The net prime yield remains at its lowest in Berlin, at 2.60 %, though the German capital now shares its leading position with Munich, which is also on 2.60 %. Frankfurt and Hamburg share third place, on 2.80 %. Outside of the four top locations, the prime yields have also fallen slightly in Cologne, Düsseldorf and Stuttgart, where they currently stand at 3.00 %.

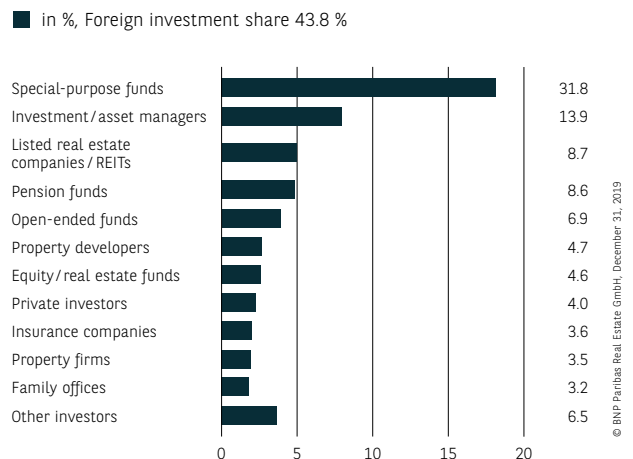
➤ OUTLOOK

There is every indication that 2020 will again spawn an above-average transaction volume. The market is likely to benefit here from the improved prospects of a rallying economy, particularly in the service sector, and a continuing positive situation on the labour market. There is also a likelihood that even more capital could flow into the investment markets than in 2019. Against this background, a total transaction volume in excess of €30 billion again appears to be a realistic prospect. Further slight drops in yields cannot be ruled out, on account of the fierce competition among investors.

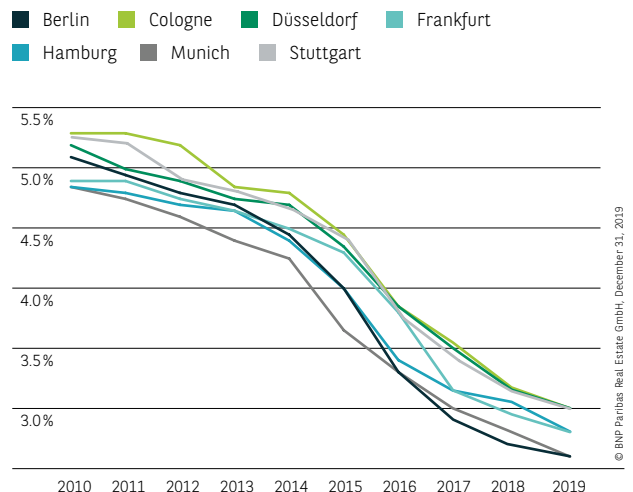
OFFICE INVESTMENTS BY € CATEGORY



OFFICE INVESTMENTS BY BUYER GROUP



DEVELOPMENT OF NET PRIME YIELDS IN THE A-LOCATIONS



# BERLIN

## UP PAST THE MILLION MARK

Records are made to be broken. And the German capital appears hell-bent on topping the lot at present. Take-up totalling 1.02 million m<sup>2</sup> not only represents a new record for the Berlin market itself, but also sets a new benchmark nationwide. The true significance of this result is indicated by the substantial lead over Munich (770,000 m<sup>2</sup>) and Frankfurt (635,000 m<sup>2</sup>) and by the fact that Berlin alone accounts for around one quarter of the total take-up of office space in the eight major office markets included in our analysis. In view of this outstanding result, it may come as a surprise to some observers that the supply situation remains extremely strained in the capital. This is attributable to the fact that the vacancy rate is also at an all-time low and has even been below the turnover reserve for a number of quarters now. As such, the exceptional result is primarily down to the high proportion of deals concluded for new developments: Two out of every three square metres have yet to be completed for contracts covering 10,000 m<sup>2</sup> and over, and the corresponding share across all size categories is also sizeable, at over 40 %.

## TURNOVER PRIMARILY IN THE CITY CENTRE AND CENTRE FRINGE LOCATIONS

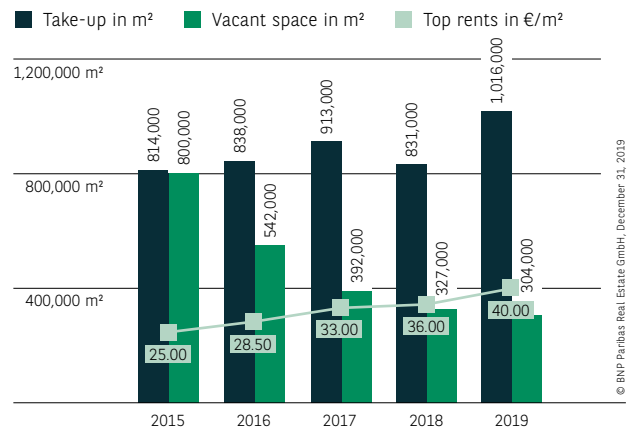
Topcity, which essentially represents a highly popular market zone, shows just how short the supply of space is, contributing less than 14 % to the overall result. The City Centre and Centre Fringe account for hefty shares of 33 % and 38 % respectively. While the supply of space available in the short term is only marginally greater here, these are the two locations with the highest level of construction activity by far. The remaining 15 % of turnover was generated in the subcentres.

## RISE IN DEALS OVER 10,000 m<sup>2</sup>

Contracts for premises of 5,000 m<sup>2</sup> and over are the key contributory factor behind the new record. In the largest category over 10,000 m<sup>2</sup> the volume actually increased more than two-fold in comparison to 2018. Together with the 5,000-10,000 m<sup>2</sup> segment, in which turnover was up by almost one third in 2019, it makes up more than half of the overall result. All other categories, with the exception of the smallest class up to 200 m<sup>2</sup>, contribute between 10 and 12 % to the result. It is particularly encouraging that turnover also rose in the smallest segments below 500 m<sup>2</sup>. A marked decline, which was attributable to the supply situation, was to be observed solely in the category between 2,000 and 5,000 m<sup>2</sup>.

## DEVELOPMENT OF TAKE-UP,

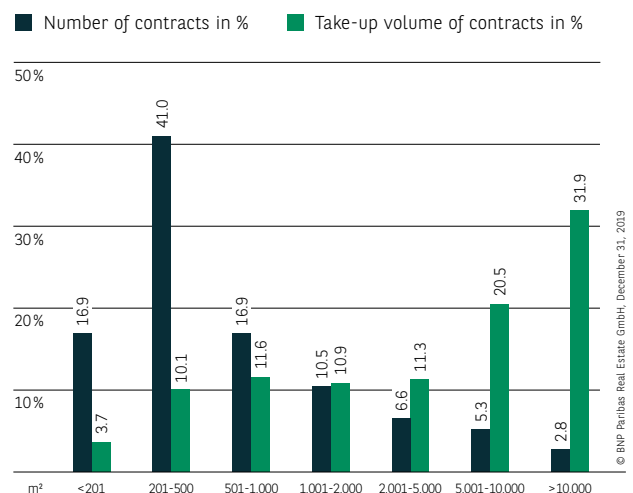
### VACANT SPACE AND TOP RENTS IN BERLIN



## MAJOR CONTRACTS IN BERLIN

OMZ	Company	m <sup>2</sup>
3.1	Company from the digital economy	55,000
3.2	Institute for Federal Real Estate	30,900
2.1	SAP Deutschland	29,800
3.4	BIM / Federal State Criminal Investigation Department	26,100
1.2	Federal Ministry of Health	23,200
4.3	DRB German Federal Pension Fund	22,900
1.1	McFit Global Group / RSG Group	19,500
3.2	yd yourdelivery	16,100
2.5	VW Diconium	16,000

## TAKE-UP BY SIZE CATEGORY IN BERLIN



**FAMILIAR BREAKDOWN ON THE DEMAND SIDE**

Two demand groups with a traditionally strong presence in Berlin lead the ranking, in the guise of ICT firms (26 %) and public administration (21 %). While the top-ranking segment and third-placed other services (10 %) amassed the most contracts by far, public administration required only a small number of particularly large deals to secure second place – four of the six contracts over 20,000 m<sup>2</sup> were signed in this sector. Wholesale/retail companies and the coworking/business centre sector also each contributed a share of around 9 %. While substantial take-up volumes were also reported in the areas of healthcare (7 %), consultancies (a good 5 %) and industrial HQs (just under 5 %), their impact was tempered by the vast scale of the overall volume.

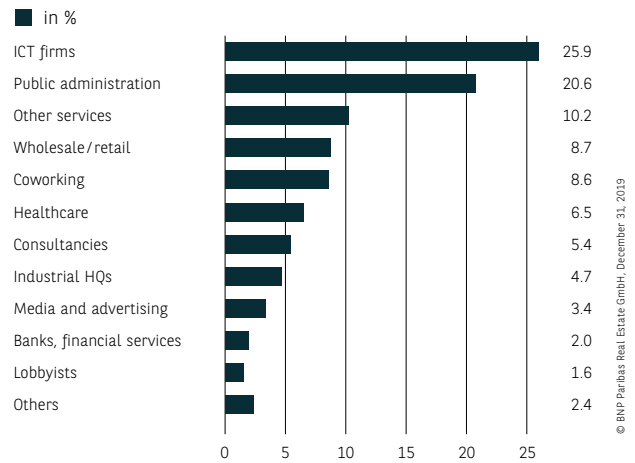
**VACANCY RATE DOWN TO 1.5 %**

The market for office space has been virtually swept clean: Vacant space and thus the volume of space available in the short term shrank by 7 % in the course of the year, to just 304,000 m<sup>2</sup>. To compound the situation, the spread of vacant space over the market territory does not tally with the demand structure. With only 6 % of the vacant space in Top-city, 16 % in the City Centre and 23 % in the Centre Fringe, the most popular locations together amass less than half of the total volume of vacant space. The trend whereby price-sensitive tenants give preference to city fringe locations is not sufficient to redress this imbalance. A further unfavourable aspect is the fact that only just over a quarter of the total vacant space is to be classified as modern and is thus able to offer the quality of fit-out sought by the vast majority of users. The vacancy rate stood at an all-time low of 1.5 % at the end of 2019.

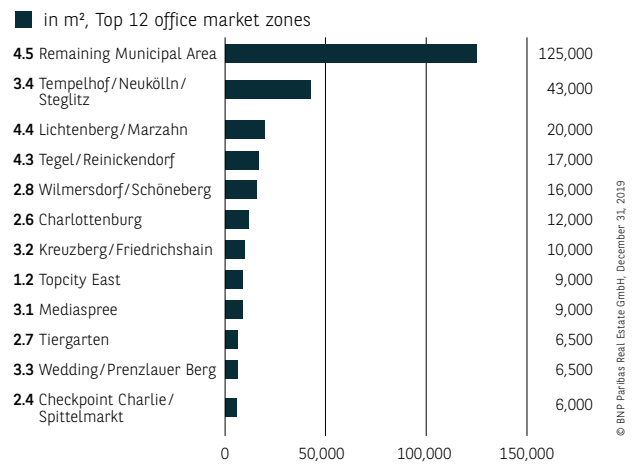
**FURTHER INCREASE IN CONSTRUCTION ACTIVITY**

1.3 million m<sup>2</sup> under construction, almost 50 % more than at the end of 2018, and a substantial increase in available space under construction (+72 %) – such figures ought to provide for an easing of the supply situation, at least over the longer term. In actual fact, they are unlikely to have any tangible effect in the near future, however. While roughly one in two square metres is currently still available, this share will drop sharply as construction work progresses, generally leaving little or no space available on completion. As a result of the construction activity, the total volume of available space rose by 37 % to 1.05 million m<sup>2</sup>, corresponding roughly to the take-up in 2019.

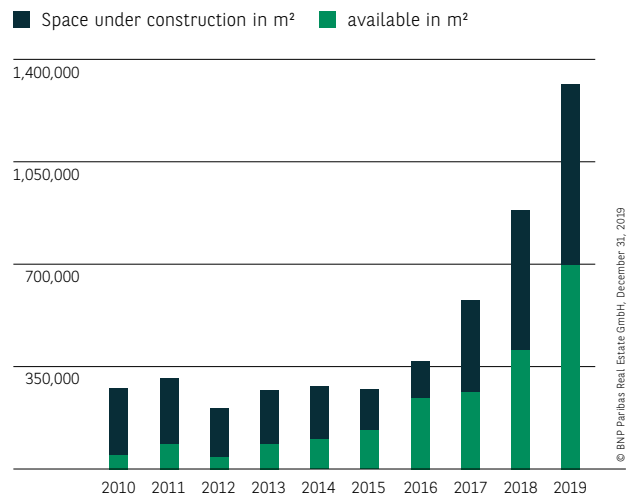
**TAKE-UP BY SECTOR IN BERLIN**



**VACANT SPACE BY LOCATION IN BERLIN**



**SPACE UNDER CONSTRUCTION IN BERLIN**



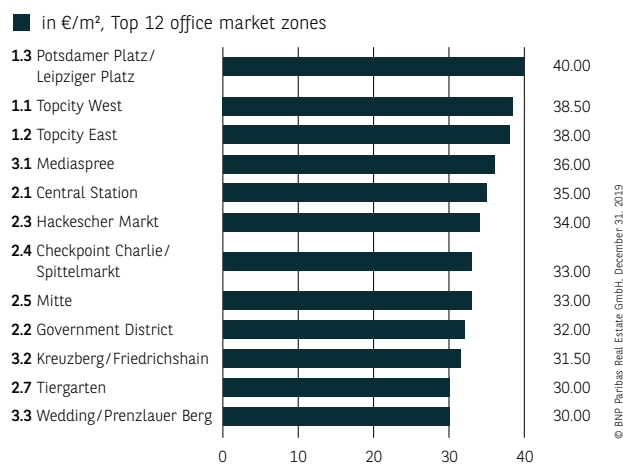
### RENT INCREASES IN DOUBLE FIGURES

In view of the extreme excess in demand, the upward trend for rents, which show double-figure growth for the most part, comes as no surprise. The prime rent, which applies at Potsdamer Platz/Leipziger Platz, rose by 4 €/m<sup>2</sup> to 40 €/m<sup>2</sup> (+11 %), for example. The less central locations also reported rising rents, with the top rent now above the €30 mark in virtually all City Centre and Centre Fringe market zones, and well above this level in the overwhelming majority of cases. A prime rent as high as 36 €/m<sup>2</sup> is reported in Mediaspree – in 2018 this represented the top rent for the entire market. Premium space only remains available at under 20 €/m<sup>2</sup> in certain subcentres. The average rent has risen even more strikingly – by almost 20 % across the market as a whole. As a result of the high proportion of new builds, the difference between prime and average rent is only minimal in certain market zones.

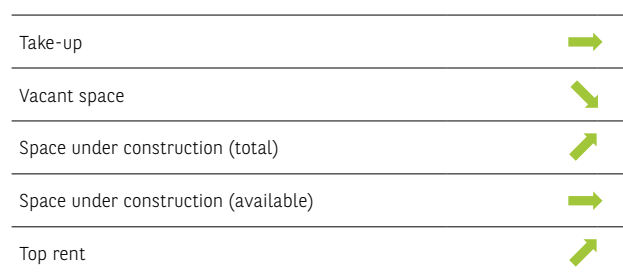
### STRONG MARKET PERFORMANCE SET TO CONTINUE IN 2020

Berlin is well on the way to establishing its position among Europe's leading major cities. While the demand side is set to continue driving this course of development, the supply side still represents a bottleneck. In order to meet the prevailing demand, widespread construction needs to continue. This is where property developers come up against the problem of finding and securing sites for office developments, however. In addition, obtaining planning permission proves a difficult and protracted process. In the light of this situation, the market is likely to remain strained in 2020. This holds out the prospect of a continuing upward trend for rents.

### TOP RENTS BY LOCATION IN BERLIN



### TRENDS IN IMPORTANT MARKET INDICATORS IN BERLIN





## KEY INDICATORS FOR BERLIN

Rents (€/m²)		Take-up (m²)	Vacant space (m²)				Space under construction (m²)			Space on offer (m²)					
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected				
		2019	total	of this, since completion	total		2020	from 2021							
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14		
<b>1 Topcity</b>															
1.1	Topcity West	38.50	30.70	53,000	5,500	500	0	4,000	1,000	6,500	68,800	75,300	46,100	51,600	40,000
1.2	Topcity East	38.00	30.10	68,000	9,000	5,000	0	4,000	0	5,700	0	5,700	0	9,000	7,000
1.3	Potsdamer Platz / Leipziger Platz	40.00	35.00	20,000	5,000	3,000	0	2,000	0	6,800	0	6,800	6,800	11,800	0
<b>2 City</b>															
2.1	Central Station	35.00	31.10	49,000	500	500	0	0	0	62,000	83,900	145,900	83,900	84,400	85,200
2.2	Government District	32.00	28.50	11,000	1,500	0	0	1,500	0	0	0	0	0	1,500	8,100
2.3	Hackescher Markt	34.00	31.00	16,000	3,500	3,000	0	500	0	1,500	60,100	61,600	60,100	63,600	20,900
2.4	Checkpoint Charlie / Spittelmarkt	33.00	28.50	49,000	6,000	4,500	0	1,500	0	54,500	0	54,500	0	6,000	10,000
2.5	Mitte	33.00	30.70	50,000	2,000	0	0	2,000	0	0	10,000	10,000	2,200	4,200	340,500
2.6	Charlottenburg	28.50	20.70	78,500	12,000	3,000	3,000	8,000	1,000	20,200	78,900	99,100	79,400	91,400	93,300
2.7	Tiergarten	30.00	26.90	35,000	6,500	3,000	1,500	3,500	0	23,100	21,400	44,500	31,700	38,200	88,800
2.8	Wilmerdorf / Schöneberg	30.00	22.90	42,000	16,000	3,000	0	6,000	7,000	28,400	84,000	112,400	46,300	62,300	115,200
<b>3 Centre Fringe</b>															
3.1	Mediaspree	36.00	33.20	87,000	9,000	6,000	0	3,000	0	85,700	112,000	197,700	79,500	88,500	153,700
3.2	Kreuzberg / Friedrichshain	31.50	28.60	189,000	10,000	2,000	0	8,000	0	75,900	149,500	225,400	71,600	81,600	473,900
3.3	Wedding / Prenzlauer Berg	30.00	25.00	54,000	6,500	500	500	6,000	0	36,500	28,500	65,000	51,700	58,200	258,200
3.4	Tempelhof / Neukölln / Steglitz	26.00	18.10	59,000	43,000	16,000	0	27,000	0	46,200	44,000	90,200	50,300	93,300	142,900
<b>4 Subcentres</b>															
4.1	Adlershof	19.00	16.00	28,000	5,000	3,000	1,000	2,000	0	29,800	28,700	58,500	56,000	61,000	137,600
4.2	Airport	16.00	15.00	1,500	1,000	1,000	0	0	0	7,200	0	7,200	7,200	8,200	214,700
4.3	Tegel / Reinickendorf	16.50	15.50	44,000	17,000	8,000	0	9,000	0	0	24,700	24,700	1,700	18,700	9,200
4.4	Lichtenberg / Marzahn	16.00	14.70	24,000	20,000	8,000	0	12,000	0	0	14,000	14,000	7,000	27,000	387,500
4.5	Remaining Municipal Area	18.50	14.70	58,000	125,000	14,000	1,500	107,000	4,000	0	19,500	19,500	19,500	144,500	325,300
<b>Total</b>				<b>1,016,000</b>	<b>304,000</b>	<b>84,000</b>	<b>7,500</b>	<b>207,000</b>	<b>13,000</b>	<b>490,000</b>	<b>828,000</b>	<b>1,318,000</b>	<b>701,000</b>	<b>1,005,000</b>	<b>2,912,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# COLOGNE

## ▶ ANOTHER GOOD RESULT OF OVER 300,000 m<sup>2</sup>

The Cologne office market put in a sound performance throughout 2019. A brisk final quarter resulted in a gratifying annual take-up volume of 306,000 m<sup>2</sup> – on an exact par with the previous year's figure. The 300,000 m<sup>2</sup> mark was thus topped once again and the 10-year average was outperformed by just under 4%. The medium- and small-sized segments up to 10,000 m<sup>2</sup> were particularly prevalent, providing the basis for an overall buoyant market. Meanwhile, in the important category over 10,000 m<sup>2</sup> only one deal was registered, in the form of the let to Sparkasse KölnBonn. This sparse performance was attributable not least of all to the inadequate supply of larger units. While a marginal increase in available space to the tune of 7,000 m<sup>2</sup> was reported for the first time since 2011, this is not sufficient to ease the situation on the supply side to any tangible extent.

## ▶ CITY CENTRE IN DEMAND, STRONG-PERFORMING PERIPHERY

True to form, the City Centre (94,200 m<sup>2</sup>) represented the most sought-after office market zone, despite its minimal presence among the most significant contracts, with only two deals (6,300 m<sup>2</sup> and 6,600 m<sup>2</sup>) falling into this category. Together with the Deutz market zone, where the chemical company Arlanxeo secured 8,400 m<sup>2</sup> of space, the two City Centre locations together amass a good 36% share – some 7 percentage points above the multi-year average. A number of peripheral zones performed especially strongly. In particular, the Ossendorf/Nippes market zone reported a record-breaking take-up volume of 46,800 m<sup>2</sup> and claimed second place thanks in part to the Sparkasse let. The Porz/Airport market zone also reported an above-average result of 31,800 m<sup>2</sup>, thanks in particular to the deal with the Köln-Porz German Aerospace Centre. In the Centre Fringe, demand is focussed above all on the market zones Ehrenfeld/Braunsfeld (41,800 m<sup>2</sup>) and Kalk/Mülheim (30,500 m<sup>2</sup>).

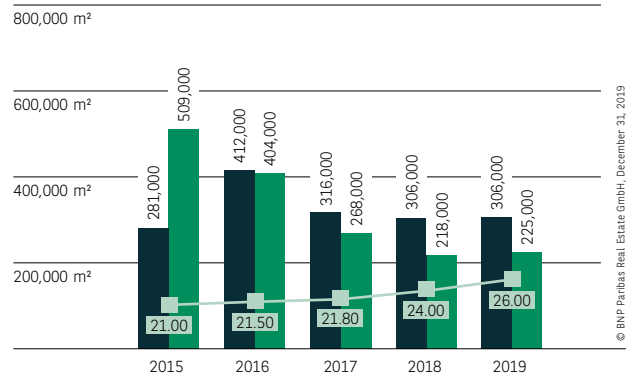
## ▶ BROAD SPREAD ACROSS SIZE CATEGORIES

A broad and well-balanced mid-range spread between 1,000 and 10,000 m<sup>2</sup> provides for a lively and overall very well-balanced market. While large-scale lets were rare and the category above 10,000 m<sup>2</sup> accounted for a share of only just under 6%, the 2,000-5,000 m<sup>2</sup> category leads the field on almost 21%. The two other segments, spanning 5,000-10,000 m<sup>2</sup> and 1,000-2,000 m<sup>2</sup>, are neck and neck, each reporting a share in the order of 19% to round off the leading trio.

## DEVELOPMENT OF TAKE-UP,

### VACANT SPACE AND TOP RENTS IN COLOGNE

■ Take-up in m<sup>2</sup> ■ Vacant space in m<sup>2</sup> ■ Top rents in €/m<sup>2</sup>



© BNP Paribas Real Estate GmbH, December 31, 2019

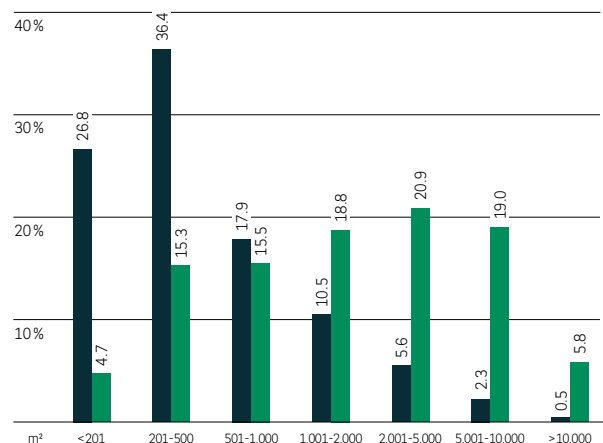
## MAJOR CONTRACTS IN COLOGNE

OMZ	Company	m <sup>2</sup>
3.1	Sparkasse KölnBonn	17,600
1.2	Arlanxeo Deutschland	8,400
3.5	Research establishment	7,900
1.1	WeWork	6,600
1.1	Congstar/Telekom Deutschland	6,200
1.1	Coworking provider	6,100
2.4	Cancom	6,000
3.2	Gebäudewirtschaft der Stadt Köln (municipal building management and engineering company)	5,700
3.5	Pensions-Sicherungs-Verein (insurance company)	5,700

© BNP Paribas Real Estate GmbH, December 31, 2019

## TAKE-UP BY SIZE CATEGORY IN COLOGNE

■ Number of contracts in % ■ Take-up volume of contracts in %



© BNP Paribas Real Estate GmbH, December 31, 2019

➤ **OTHER SERVICES TAKE OVER THE LEAD**

The breakdown of take-up by sectors shows the traditionally strong industry sectors in the leading positions. Other services, which are regularly among the top 3, take the lead again for the first time since 2012, on a good 17%. As in 2018, ICT firms rank second, on 15%. The traditionally very strong public administration sector takes third place (just under 11%), seeing off consultancies, which also put in a customary strong performance to secure fourth place. Banks and financial services (just under 10%) are rarely to be seen in the upper third – they benefitted here in particular from the above-stated Sparkasse let. Coworking providers, which were still causing a furore back in 2018, have lost ground and must currently be content with a share of just under 9%.

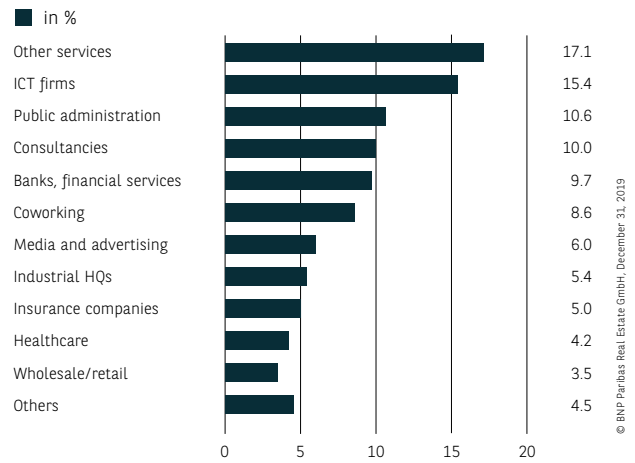
➤ **GLIMMER OF LIGHT REGARDING VACANT SPACE**

The volume of vacant space on the office market has been in decline for some years, and is now approaching the 200,000 m<sup>2</sup> mark. While the downward trend was stopped in 2019, the slight growth of 3% to 225,000 m<sup>2</sup> is not sufficient to provide a much needed easing of the supply situation. The vacancy rate (2.8%) remains unchanged compared to 2018 and is at a very low level, below the turnover reserve. This rate is also very low in comparison to the other leading office locations. The individual market zones show very different trends: While vacant space continued to decline sharply in the key City Centre locations, with Deutz now lacking any supply worthy of mention, the situation in Ossendorf/Nippes improved markedly. The volume of modern vacant space (48,000 m<sup>2</sup>) across the municipal area as a whole is below-average, representing a roughly 21% share of all vacant space.

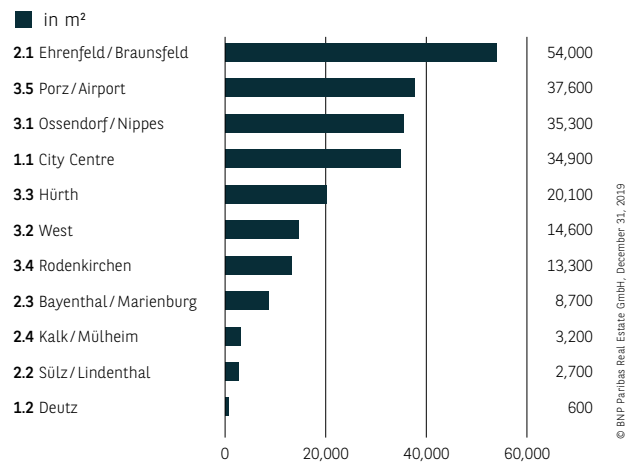
➤ **CONSTRUCTION ACTIVITY AT VERY LOW LEVEL**

Although the supply of modern space in line with market requirements has been too low for many years now, there has been no sustained increase in construction activity. While a reversal of this trend appeared to be on the horizon in 2018, the volume of space currently under construction does not suggest that any significant improvement to the precarious supply situation is likely: 106,000 m<sup>2</sup> is the lowest level of the past ten years. To compound the situation, only just over one third of this total (36,000 m<sup>2</sup>) is available, as the overwhelming majority of this space has already been pre-let or is under construction for owner-occupiers. Available space is concentrated first and foremost in the City Centre and Ossendorf/Nippes.

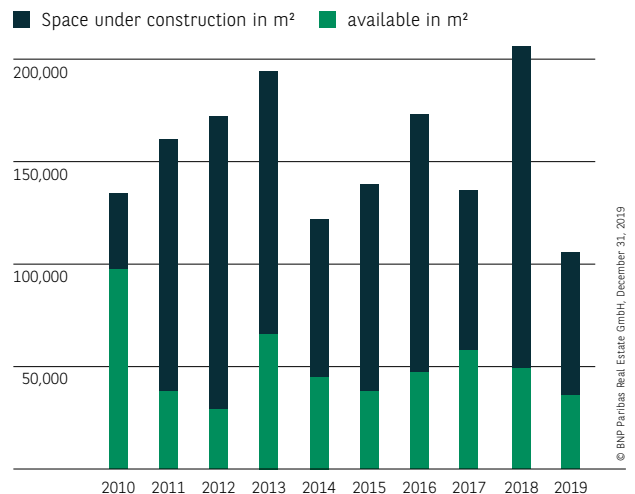
TAKE-UP BY SECTOR IN COLOGNE



VACANT SPACE BY LOCATION IN COLOGNE



SPACE UNDER CONSTRUCTION IN COLOGNE



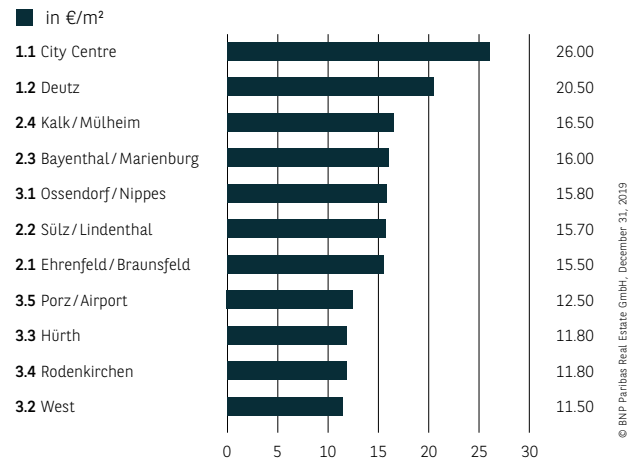
### ▶ PRIME RENT STILL CLIMBING, DEUTZ ON THE RISE

While the demand for office space remains high, an extremely tight supply situation prevails on the market. Rents on the Cologne office market have long been under pressure. 2019 consequently saw a hefty rise of 8 % in the prime rent, which now stands at 26 €/m<sup>2</sup>. The average rent has also increased in the city area, rising by 3 % to 15.20 €/m<sup>2</sup>. Particularly sharp increases are to be observed in the City Centre and Deutz, both of which benefited from a large number of completions in the past 12 months, allowing tenants to take up occupancy in new and higher-priced office premises.

### ▶ MARKET SITUATION SET TO CONTINUE IN 2020

The fundamental influencing factors indicate that the market situation will remain essentially unchanged in 2020. Demand remains high, and various sectors continue to be on the lookout for adequate premises. The latter will remain in short supply, however, as following a number of completions in the City Centre area the current very low level of construction activity suggests that the volume of vacant space is set to decline once again. As such, the recently observed slight increase could prove to have been a flash in the pan. Any possible increase in construction activity is also unlikely to be capable of closing the supply gap in the short term. Against this background, a further increase in rents is a quite realistic prospect, while take-up should again be in the order of 300,000 m<sup>2</sup>.

### TOP RENTS BY LOCATION IN COLOGNE



### TRENDS IN IMPORTANT MARKET INDICATORS IN COLOGNE

Take-up	↗
Vacant space	↘
Space under construction (total)	↗
Space under construction (available)	↘
Top rent	↗

© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR COLOGNE

Rents (€/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> )			
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected			
		2019	total	of this, since completion	total		2020	from 2021						
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14	
<b>1</b>	<b>City Centre</b>													
1.1	City Centre	26.00	94,200	34,900	12,900	1,000	22,000	0	0	23,500	23,500	15,600	50,500	18,400
1.2	Deutz	20.50	17,000	600	400	0	200	0	0	0	0	0	600	31,800
<b>2</b>	<b>Centre Fringe</b>													
2.1	Ehrenfeld/Braunsfeld	15.50	41,800	54,000	1,700	0	45,300	7,000	0	0	0	0	54,000	103,300
2.2	Sülz/Lindenthal	15.70	3,200	2,700	400	0	2,300	0	0	0	0	0	2,700	0
2.3	Bayenthal/Marienburg	16.00	6,000	8,700	6,200	0	2,500	0	0	0	0	0	8,700	14,000
2.4	Kalk/Mülheim	16.50	30,500	3,200	0	0	3,200	0	13,000	19,500	32,500	1,400	4,600	110,800
<b>3</b>	<b>Subcentres</b>													
3.1	Ossendorf/Nippes	15.80	46,800	35,300	1,400	0	33,900	0	16,400	23,000	39,400	19,000	54,300	46,900
3.2	West	11.50	13,300	14,600	900	1,000	13,700	0	0	0	0	0	14,600	0
3.3	Hürth	11.80	16,800	20,100	15,600	0	4,500	0	0	0	0	0	20,100	10,500
3.4	Rodenkirchen	11.80	4,600	13,300	4,300	0	9,000	0	0	0	0	0	13,300	0
3.5	Porz/Airport	12.50	31,800	37,600	4,200	0	33,400	0	10,600	0	10,600	0	37,600	36,300
<b>Total</b>			<b>306,000</b>	<b>225,000</b>	<b>48,000</b>	<b>2,000</b>	<b>170,000</b>	<b>7,000</b>	<b>40,000</b>	<b>66,000</b>	<b>106,000</b>	<b>36,000</b>	<b>261,000</b>	<b>372,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# DÜSSELDORF

## RECORD TAKE-UP ON THE OFFICE MARKET

The Düsseldorf office market ended 2019 on a high note, reporting a new record letting volume of 536,000 m<sup>2</sup>. This truly put the previous record from 2015 (453,000 m<sup>2</sup>) in the shade, while also outshining the previous year's result by a princely 41%. As usual, the lion's share of the letting volume fell to the city area, where take-up totalled 490,000 m<sup>2</sup> (up by 45% on 2018). The peripheral office locations contributed a further 46,000 m<sup>2</sup>, accounting for a share of just under 10% of the total take-up. Overall, the Düsseldorf office market proved itself to be on an extremely sound footing, with no significant vulnerability to any individual influencing factors evident at present. 2019's exceptional result is nevertheless attributable first and foremost to an unusually high number of major deals over 10,000 m<sup>2</sup>. These made their mark like never before, accounting for almost one third of the market's total turnover.

## FRIEDRICHSTADT STRONGEST SUBMARKET

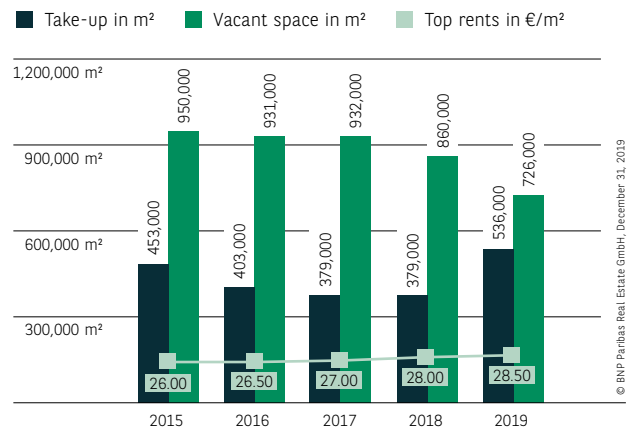
The breakdown of take-up across the individual market zones shows a change at the top in 2019. The previous year's leading office market zone, Derendorf, was ousted from the top spot by the new leader, Friedrichstadt. A letting volume totalling an astounding 91,000 m<sup>2</sup> was attained here, representing a more than six-fold increase on the previous year's result. This submarket claimed three of the five biggest deals in 2019, with WPP Deutschland (34,000 m<sup>2</sup>), WeWork (20,500 m<sup>2</sup>) and the North-Rhine Westphalian ministry of economic affairs (15,500 m<sup>2</sup>). The office market zones of Seestern and Kennedydamm follow up in the next positions, demonstrating their great importance to Düsseldorf's office market with take-up totalling 66,000 m<sup>2</sup> and 59,000 m<sup>2</sup> respectively.

## LARGE NUMBER OF MAJOR DEALS FOR 10,000 m<sup>2</sup> AND OVER

As mentioned above, the breakdown of take-up by size categories is dominated by the major deals for 10,000 m<sup>2</sup> and over, which together account for some 31% of the total take-up. Five other size categories also attain double-figure shares in the total take-up volume, providing compelling evidence of the market's well-balanced make-up and the importance of smaller and medium-sized deals.

## DEVELOPMENT OF TAKE-UP,

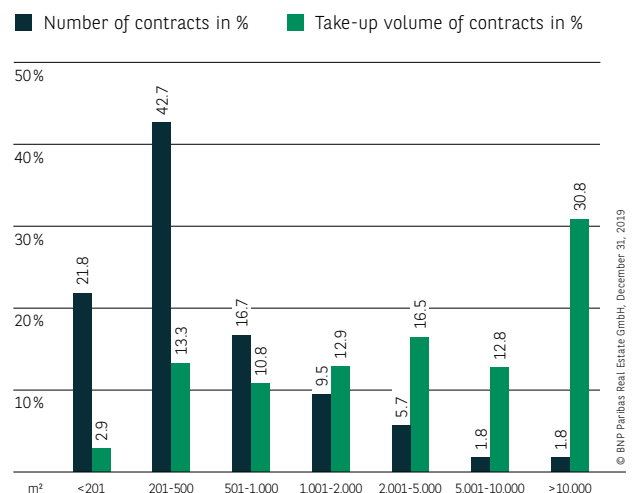
### VACANT SPACE AND TOP RENTS IN DÜSSELDORF



## MAJOR CONTRACTS IN DÜSSELDORF

OMZ	Company	m <sup>2</sup>
3.1	WPP Deutschland	34,000
2.3	PWC	24,000
2.5	NRW Environment Ministry	21,500
3.1	WeWork	20,500
3.1	NRW Ministry of Economic Affairs	15,500
2.4	Commerzbank	15,000
2.4	Barmer Krankenkasse health insurance fund	13,500
4.4	TRW Automotive	11,000
4.1	Schneider Electric	10,500

## TAKE-UP BY SIZE CATEGORY IN DÜSSELDORF

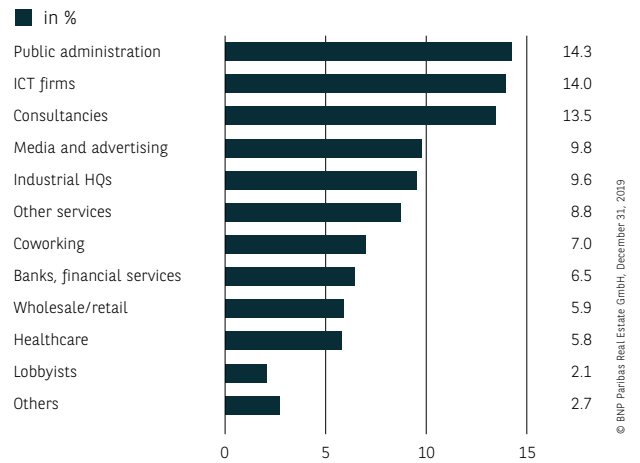




➤ PUBLIC ADMINISTRATION LEADS THE FIELD

The breakdown of sectors also clearly reflects the broad scope of demand. Three sectors are neck-and-neck in the lead, public administration just edging ahead with a market share of 14.3%. The contract with the ministry of the environment in Derendorf (21,500 m<sup>2</sup>) made the difference here, together with the above-mentioned deal with the ministry of economic affairs in Friedrichstadt. Second and third places go to ICT firms (14%) and consultancies (13.5%). The latter benefit in particular from PWC's major deal in the Kennedydamm office market zone (24,000 m<sup>2</sup>). Notable market shares were also claimed by the media and advertising sector (10%), industrial HQs (10%) and other services (9%).

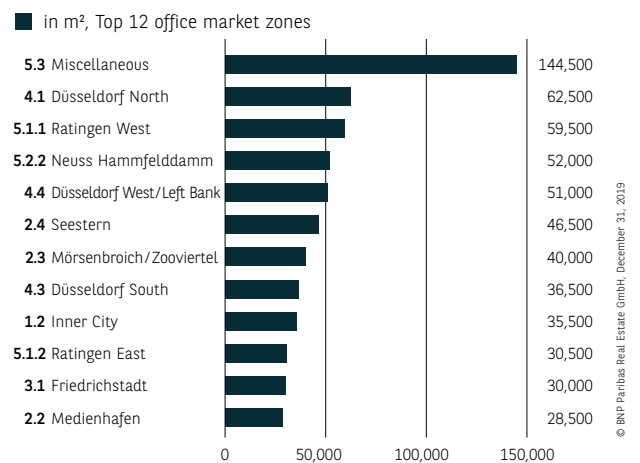
TAKE-UP BY SECTOR IN DÜSSELDORF



➤ LOWEST VACANCY RATE SINCE 2001

2019 saw Düsseldorf make substantial further progress in reducing its volume of vacant space. Vacant office space declined noticeably both in the city area and in the periphery. The overall volume at the end of the fourth quarter of 2019 stood at 726,000 m<sup>2</sup> (-16% compared to 2018). As a percentage of the market territory as a whole, the vacancy ratio fell by 1.5 percentage points to 7.6% – its lowest level since 2001. In the city proper, a drop of 1.5 percentage points to 5.3% was reported. Vacant space in premises appointed to a modern standard showed an even more severe decline. The availability of such space fell by a good third in comparison to 2018, leaving various market zones, such as Derendorf, Airport City and Inner City, with little or no modern office space available.

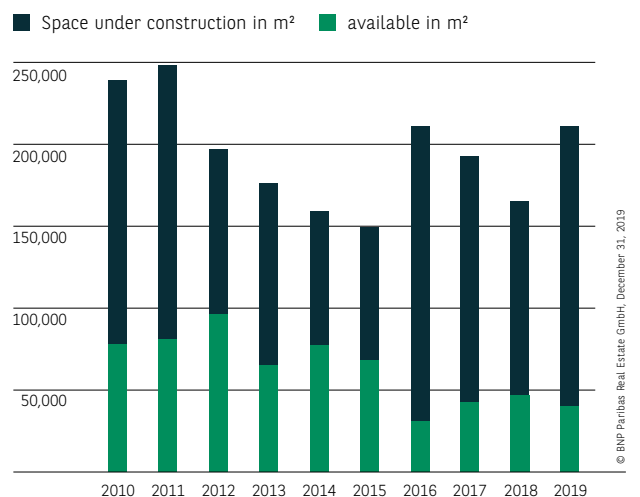
VACANT SPACE BY LOCATION IN DÜSSELDORF



➤ INCREASE IN CONSTRUCTION ACTIVITY

Property developers and investors have responded to the sustained high level of demand on the Düsseldorf office market: In 2019 there was 211,000 m<sup>2</sup> of office space under construction – up by some 28% on the previous year. Only 41,000 m<sup>2</sup> of this volume remains available to the market, however, as more than 80% of the new build volume has already been prelet or is designated for owner occupation. Only the Medienhafen and Airport City office market zones still have speculatively built office space available on a notable scale. The total available volume of modern space (modern vacant space + available space under construction) now stands at only 211,000 m<sup>2</sup> – down by around 30% in comparison to 2018. Modern office space is in ever shorter supply in Düsseldorf.

SPACE UNDER CONSTRUCTION IN DÜSSELDORF



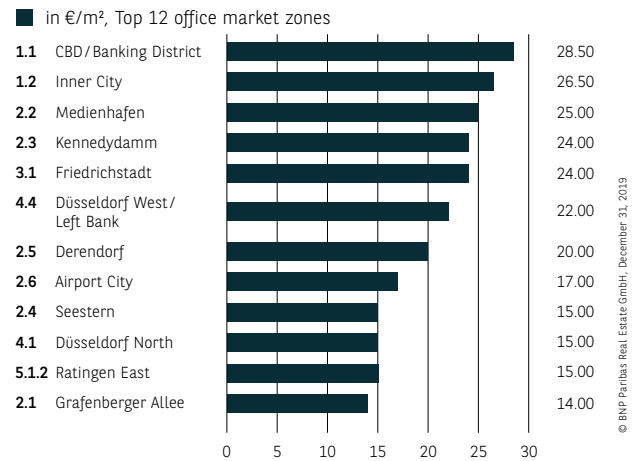
### ▶ SLIGHT INCREASE IN PRIME RENT

As a result of the sustained positive course of development on the Düsseldorf office market, the prime rent was almost 2 % higher at year-end, closing at 28.50 €/m<sup>2</sup>. The prime rent continues to be attained for premium properties in the CBD. Despite the high demand, the upward price movement in Düsseldorf has remained moderate to date in comparison with the other major office locations. Strong upward surges in rents were observable in individual office market zones, however, such as in Friedrichstadt, where the top rent rose by 3.60 €/m<sup>2</sup> to 24 €/m<sup>2</sup>. The average rent has also risen sharply, and now stands at 16.30 €/m<sup>2</sup>. This represents an increase of a good 5 % compared to 2018, highlighting the healthy condition of the market as a whole.

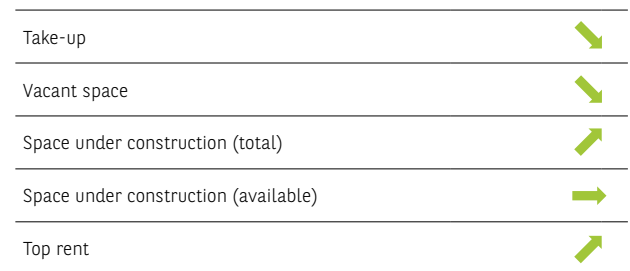
### ▶ OUTLOOK

2019 was a magnificent year for the Düsseldorf office market which saw take-up hit a resounding new high. At the same time, the volume of vacant space declined markedly above all in the modern segment, as a result of which shortages of supply are beginning to emerge in a number of market zones. As only a negligible supply of space in new builds will become available to the market in the foreseeable future, it appears unlikely that 2020 will witness a repeat of the exceptional result achieved in 2019. Take-up is more likely to be in the range from 400,000 to 500,000 m<sup>2</sup>. It is further to be expected that the decline in vacant space will continue, and further increases in rents appear to be in the offing.

### TOP RENTS BY LOCATION IN DÜSSELDORF



### TRENDS IN IMPORTANT MARKET INDICATORS IN DÜSSELDORF



© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR DÜSSELDORF

Rents (€/m²)		Take-up (m²)	Vacant space (m²)				Space under construction (m²)			Space on offer (m²)					
Prime rent*	Average		total	modern	normal	unrefurbished	finished	total	available	available	projected				
		2019	total	of this, since completion	total		2020	from 2021							
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14		
<b>1 City Centre</b>															
1.1	CBD/Banking District	28.50	23.80	31,500	26,000	12,500	0	13,000	500	9,000	0	9,000	5,000	31,000	4,000
1.2	Inner City	26.50	16.50	33,500	35,500	3,500	0	32,000	0	5,000	0	5,000	5,000	40,500	0
<b>2 Office Centres</b>															
2.1	Grafenberger Allee	14.00	12.50	13,500	14,000	5,000	0	9,000	0	0	0	0	14,000	0	
2.2	Medienhafen	25.00	19.00	27,500	28,500	20,500	0	8,000	0	20,000	0	20,000	20,000	48,500	38,500
2.3	Kennedydamm	24.00	19.00	59,000	28,000	23,000	3,000	5,000	0	0	26,000	26,000	0	28,000	136,000
2.4	Seestern	15.00	13.00	66,000	46,500	21,000	0	25,000	500	0	0	0	0	46,500	0
2.5	Derendorf	20.00	17.00	34,000	10,500	1,500	0	9,000	0	0	35,000	35,000	0	10,500	13,500
2.6	Airport City	17.00	15.50	15,500	11,000	2,000	1,000	9,000	0	6,000	22,000	28,000	11,000	22,000	12,000
<b>3 Centre Fringe</b>															
3.1	Friedrichstadt	24.00	18.00	91,000	30,000	10,500	0	19,500	0	0	74,000	74,000	0	30,000	30,000
3.2	City East	14.00	12.00	8,500	5,000	1,000	0	4,000	0	0	0	0	0	5,000	26,500
<b>4 Subcentres</b>															
4.1	Düsseldorf North	15.00	12.50	53,500	62,500	24,500	0	38,000	0	0	0	0	62,500	22,000	
4.2	Mörsenbroich / Zooviertel	13.50	10.50	6,000	40,000	2,500	0	34,000	3,500	0	11,000	11,000	0	40,000	38,000
4.3	Düsseldorf South	12.50	11.00	30,000	36,500	3,000	0	33,000	500	0	0	0	0	36,500	10,500
4.4	Düsseldorf West / Left Bank	22.00	14.50	20,500	51,000	8,500	0	41,500	1,000	0	0	0	0	51,000	75,000
<b>Total Düsseldorf</b>				<b>490,000</b>	<b>425,000</b>	<b>139,000</b>	<b>4,000</b>	<b>280,000</b>	<b>6,000</b>	<b>40,000</b>	<b>168,000</b>	<b>208,000</b>	<b>41,000</b>	<b>466,000</b>	<b>406,000</b>
<b>5 Periphery</b>															
5.1.1	Ratingen West	11.50	9.50	6,000	59,500	0	0	59,500	0	0	3,000	3,000	0	59,500	0
5.1.2	Ratingen East	15.00	13.00	9,000	30,500	6,500	2,000	24,000	0	0	0	0	0	30,500	46,000
5.2.1	Neuss	11.00	8.50	2,000	14,500	0	0	14,500	0	0	0	0	0	14,500	0
5.2.2	Neuss Hammfelddamm	10.00	8.00	21,000	52,000	12,000	0	40,000	0	0	0	0	0	52,000	0
5.3	Miscellaneous	13.00	8.00	8,000	144,500	12,500	2,000	132,000	0	0	0	0	0	144,500	0
<b>Total Periphery</b>				<b>46,000</b>	<b>301,000</b>	<b>31,000</b>	<b>4,000</b>	<b>270,000</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>3,000</b>	<b>0</b>	<b>301,000</b>	<b>46,000</b>
<b>Total</b>				<b>536,000</b>	<b>726,000</b>	<b>170,000</b>	<b>8,000</b>	<b>550,000</b>	<b>6,000</b>	<b>40,000</b>	<b>171,000</b>	<b>211,000</b>	<b>41,000</b>	<b>767,000</b>	<b>452,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

## NEW RECORD RESULT

The Essen office market was dynamic like never before in 2019, setting a new record with take-up of 165,000 m<sup>2</sup>. This was almost 9 % up on the previous year's strong result, and surpassed the multi-year average by as much as 40 %. The result was primarily attributable to a very strong second quarter, which set a new all-time quarterly record of 71,000 m<sup>2</sup>. This figure was accountable in part to the fact that two of the year's biggest deals occurred in this period, with owner-occupier Aldi Einkauf GmbH taking up 17,600 m<sup>2</sup> and Hochtief Engineering renting 15,800 m<sup>2</sup> in Rüttenscheid/Bredeneby. Although a total of three deals were concluded above the 10,000 m<sup>2</sup> mark, the overall result is not attributable solely to major deals, but is rather based on broad demand spanning all market segments.

## SUBCENTRES BENEFIT FROM MAJOR DEALS

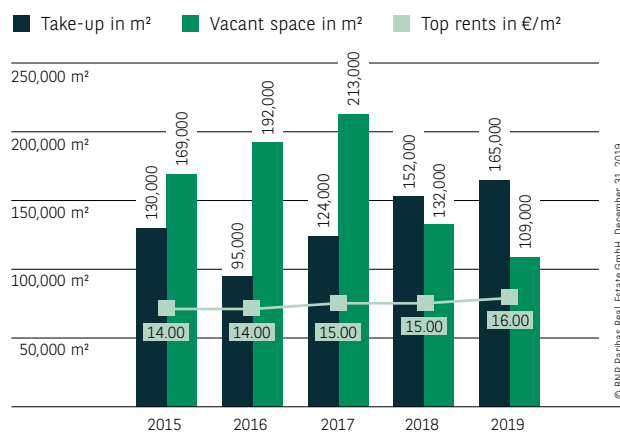
The spread of take-up across the individual market zones highlights how the less central locations are attracting growing demand due to the noticeably declining supply in the centre. The Centre Fringe location Rüttenscheid/Bredeneby thus leads the rankings on 42,300 m<sup>2</sup>. Südviertel follows up in second place, with a result of 30,500 m<sup>2</sup> well above the multi-year average, thanks to lets including 7,000 m<sup>2</sup> to Design Offices and 5,400 m<sup>2</sup> to RWE. Core City ranks only third, with total take-up of 14,900 m<sup>2</sup> a good 39 % down on the 2018 result. The extent of this market zone's drop in performance is highlighted by the fact that its year-end result fell a hefty 42 % short of the multi-year average. Meanwhile, a decidedly above-average result was reported by the collective category Remaining Municipal Area, which set a new record with 67,000 m<sup>2</sup>.

## BROAD DEMAND BASE ACROSS VIRTUALLY ALL SEGMENTS

The breakdown by size categories shows that the good annual result is based on a broad spectrum of demand spanning virtually all segments, albeit with a number of shifts in comparison to the previous year. The medium-sized segment (2,001-5,000 m<sup>2</sup>), which traditionally reports high levels of take-up, was substantially less active than usual, for example, and contributed only 9 % to the total take-up volume. At the same time, the segments covering 501 to 1,000 m<sup>2</sup> and 5,001 to 10,000 m<sup>2</sup> soared above the multi-year average, with increases of +84 % and +91 % compared to the previous year. The segment over 10,000 m<sup>2</sup> claimed the lion's share (a good 29 %), courtesy of three major deals.

## DEVELOPMENT OF TAKE-UP,

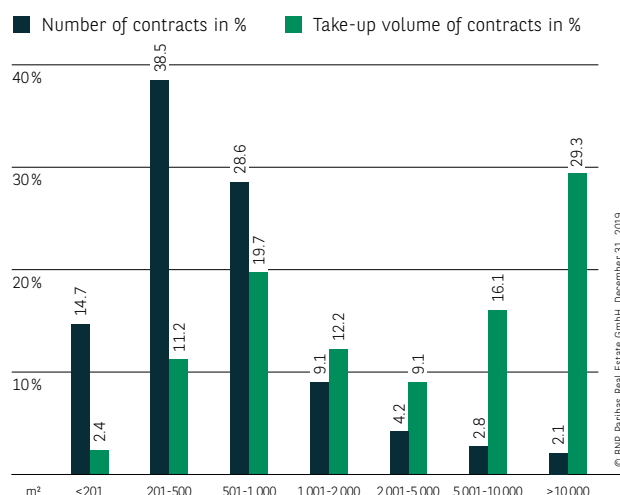
### VACANT SPACE AND TOP RENTS IN ESSEN



## MAJOR CONTRACTS IN ESSEN

OMZ	Company	m <sup>2</sup>
3.1	Aldi Einkauf	17,600
2.5	Hochtief Engineering	15,800
3.1	Energy utility	15,500
2.5	Karstadt department store	8,000
2.3	Design Offices	7,000
3.1	Energy utility	6,200
2.3	RWE	5,400
2.1	City of Essen Jobcenter	2,700
2.3	Innogy	2,600

## TAKE-UP BY SIZE CATEGORY IN ESSEN



➤ **INDUSTRIAL HQS TOP THE RANKINGS ONCE AGAIN**

Industrial HQs, which traditionally have a strong presence in Essen, proved outstanding generators of turnover once again in 2019. They dominate the overall result with a share of just under 37 %, thanks not least of all to high-volume leases taken out by Hochtief and an energy utility (15,500 m<sup>2</sup>). Wholesale/retail follows up some distance behind in second place on 17 %. This segment secured the year's biggest deal, leading to a year-end result markedly above the multi-year average. Other services round off the leading trio, on a good 15 %. Coworking providers also generated notable levels of take-up for the first time, even breaching the 5 % threshold.

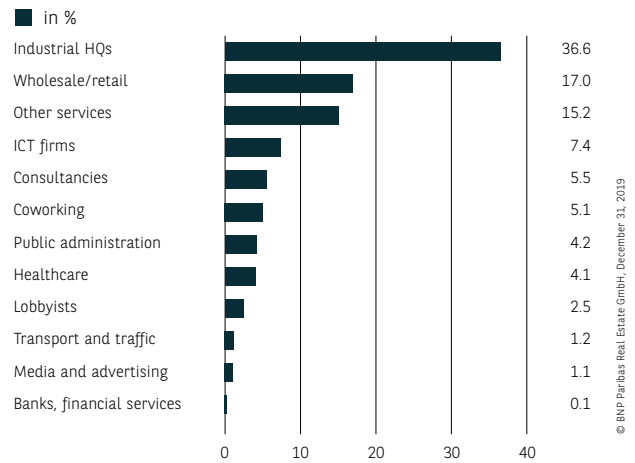
➤ **VACANT SPACE REMAINS ON DOWNWARD SLOPE**

The record take-up left its mark on the volume of vacant space, which currently stands at only 109,000 m<sup>2</sup> and has thus dropped by a good 17 % over the past twelve months. At 3.5 %, the vacancy rate is at its lowest level since the beginning of the new millennium. Modern space, which enjoys the highest level of demand, showed an even sharper drop, shrinking by 54 % over the course of the year to a mere 23,000 m<sup>2</sup>. The majority of this space (12,100 m<sup>2</sup>) is located in Rüttenscheid/Bredeney where, apart from the subcentres, the most available space is to be found. While a total of 22,700 m<sup>2</sup> is still vacant in the highly sought-after Core City, only 3,800 m<sup>2</sup> is of a modern standard. In the light of this situation, the weak take-up in this market zone comes as no surprise.

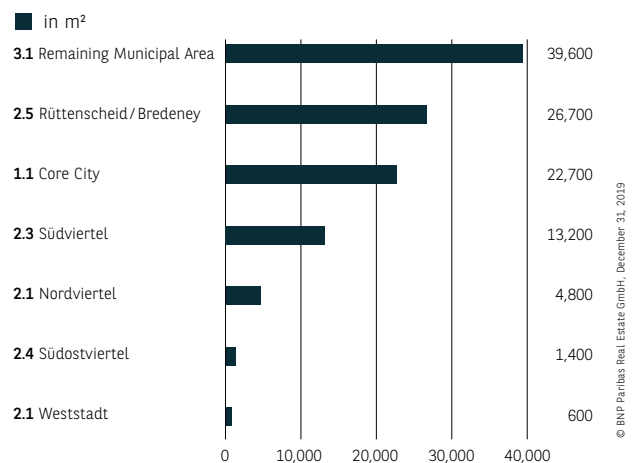
➤ **ALMOST ALL SPACE UNDER CONSTRUCTION PRE-LET**

68,000 m<sup>2</sup> of space are under construction, representing an 11.5 % rise compared to 2018. Construction activity is focused almost entirely on the subcentres, which are considered together as the Remaining Municipal Area. While 62,500 m<sup>2</sup>, or almost 92 % of the total volume, are under construction here, all but 900 m<sup>2</sup> of this total has already been pre-let or is allocated to owner-occupiers. This situation is not a great deal better in Core City, where the remaining 5,500 m<sup>2</sup> are under construction: here, only 2,100 m<sup>2</sup> of additional space are available after deducting pre-lets. As barely 4 % of the overall construction volume remains available to the letting market, it is thus to be assumed that there will be no easing of the situation on the Essen office market in near future – particularly in the modern segment.

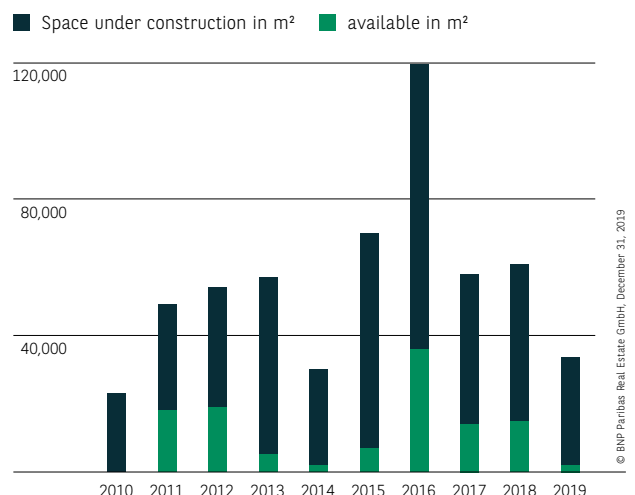
**TAKE-UP BY SECTOR IN ESSEN**



**VACANT SPACE BY LOCATION IN ESSEN**



**SPACE UNDER CONSTRUCTION IN ESSEN**



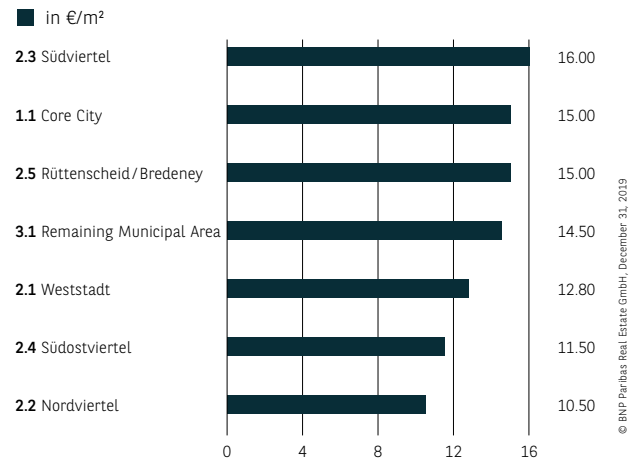
## RENTS RISING SHARPLY

The high level of demand, particularly for modern office premises, and the ever diminishing supply of space also caused rents to rise in virtually all market zones compared to the previous year. The average rent for the market as a whole now stands at 12 €/m<sup>2</sup>, corresponding to an increase of a good 9%. The steepest rises occurred in the subcentres, on account of their high level of building activity. On average, rents here are 25% up on the levels which applied at the end of 2018. The rise in the prime rent was also relatively pronounced here, at €1. The highest rent across the entire market rose by just under 7% over the past twelve months, and now stands at 16 €/m<sup>2</sup>. This level of rent is paid in Südviertel.

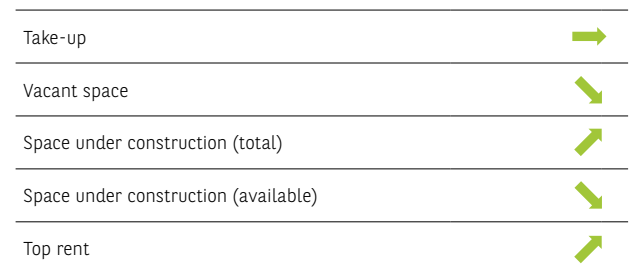
## OUTLOOK

2019 was an outstanding year for the Essen office market, with an exceptionally broad demand structure delivering a new record result at the end of the year. The market looks set to continue in a positive mood in 2020. Another exceptional year-end result will crucially depend on how construction activity develops, however, as there are now virtually no reserves of vacant space – particularly with regard to modern premises. In view of the prevailing situation on the market, it is to be assumed that the total volume of space under construction will continue to rise in the coming months, albeit with continuing very high pre-letting levels. A further increase in rents appears quite realistic in the light of this scenario.

## TOP RENTS BY LOCATION IN ESSEN



## TRENDS IN IMPORTANT MARKET INDICATORS IN ESSEN





## KEY INDICATORS FOR ESSEN

Rents (€/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> )				
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected			
		2019	of this, since completion				2020	from 2021						
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14	
<b>1 City Centre</b>														
1.1	Core City	15.00	14,900	22,700	3,800	0	16,700	2,200	5,500	0	5,500	2,100	24,800	49,000
<b>2 Centre Fringe</b>														
2.1	Weststadt	12.80	4,200	600	600	0	0	0	0	0	0	0	600	50,500
2.2	Nordviertel	10.50	2,300	4,800	0	0	4,800	0	0	0	0	0	4,800	0
2.3	Südviertel	16.00	30,500	13,200	2,400	0	10,600	200	0	0	0	0	13,200	103,800
2.4	Südostviertel	11.50	3,800	1,400	0	0	1,400	0	0	0	0	0	1,400	0
2.5	Rüttenscheid / Bredeney	15.00	42,300	26,700	12,100	200	14,500	100	0	0	0	0	26,700	0
<b>3 Subcentres</b>														
3.1	Remaining Municipal Area	14.50	67,000	39,600	4,100	0	32,000	3,500	44,500	18,000	62,500	900	40,500	44,700
<b>Total</b>			<b>165,000</b>	<b>109,000</b>	<b>23,000</b>	<b>200</b>	<b>80,000</b>	<b>6,000</b>	<b>50,000</b>	<b>18,000</b>	<b>68,000</b>	<b>3,000</b>	<b>112,000</b>	<b>248,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# FRANKFURT

## ► HIGH TAKE-UP ONCE AGAIN

The Frankfurt office market enjoyed a successful year, despite falling short of the previous year's outstanding result by just under 6%, with year-end take-up totalling 635,000 m<sup>2</sup>. The more narrowly defined market territory (as defined by the German Society of Property Researchers - GIF) reported take-up of 537,000 m<sup>2</sup>, corresponding to a drop of 9%. To place the overall result in its proper context, it should be pointed out that this represents the third-best performance of the past ten years, surpassing the average by 13%. The final quarter of 2019 was particularly impressive, with take-up of 238,000 m<sup>2</sup> marking the second-best result of the past 15 years and highlighting the continuing very good level of demand. Frankfurt ranks third nationwide, behind Berlin and Munich. The most significant contracts included a deal for DEKA Bank in Niederrad for around 46,000 m<sup>2</sup> and a lease on a good 30,000 m<sup>2</sup> taken out by ING-DiBa in the Inner City.

## ► SUBCENTRES PERFORM WELL AGAIN

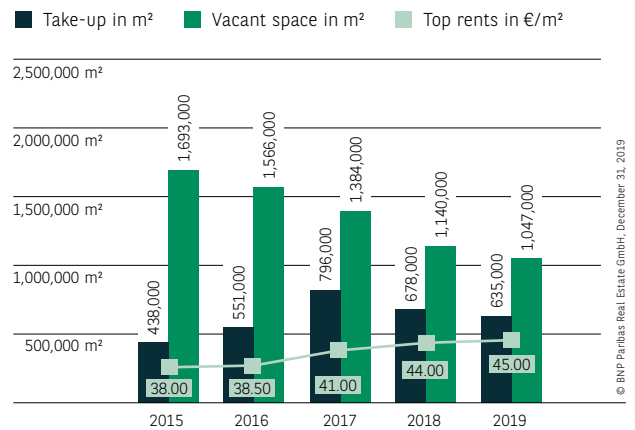
The City Centre locations account for 257,000 m<sup>2</sup>, thus contributing the lion's share (41%) to the overall result. This figure is 6 percentage points below the multi-year average, however. In contrast, the subcentres make up just under one third of the total take-up volume - a result which is 8 percentage points up on their customary share. This performance was attributable not least of all to a number of major deals, such as the above-mentioned DEKA Bank contract, along with two leases taken out in Eschborn by Randstad Deutschland (just under 15,000 m<sup>2</sup>) and Deutsche Gesellschaft für internationale Zusammenarbeit (10,600 m<sup>2</sup>).

## ► MAJOR DEALS CLAIM LARGE SHARE

Major deals for 10,000 m<sup>2</sup> and over made a substantial contribution to the overall take-up result, amassing a share of over 29% and outstripping their multi-year average by 6 percentage points. Meanwhile, medium-sized lets in the range between 5,000 m<sup>2</sup> and 10,000 m<sup>2</sup> in particular reported substantial relative drops, contributing a share of only a good 7%. All other size categories over 200 m<sup>2</sup> reported shares of between 11% and 18%, which are roughly on a par with the respective multi-year averages.

## DEVELOPMENT OF TAKE-UP,

### VACANT SPACE AND TOP RENTS IN FRANKFURT



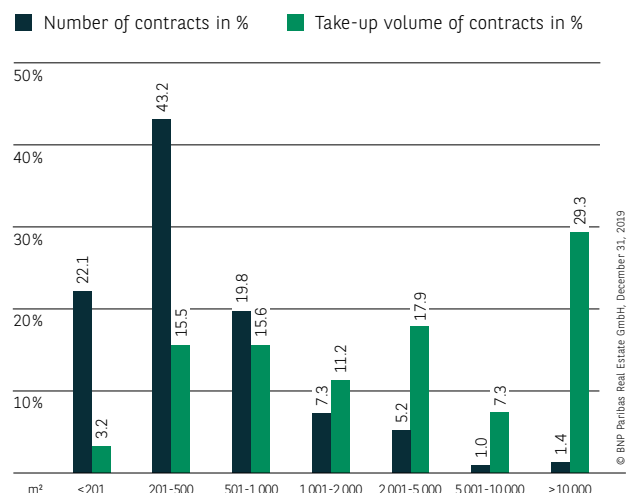
© BNP Paribas Real Estate GmbH, December 31, 2019

## MAJOR CONTRACTS IN FRANKFURT

OMZ	Company	m <sup>2</sup>
4.4	DEKA Bank Deutsche Girozentrale	46,200
1.3	ING-DiBa	30,300
2.3	Amt für Bau und Immobilien und Stadtschulamt (building authority)	26,500
1.1	Deutsche Bundesbank	16,500
1.3	BNP Paribas	14,800
4.6	Randstad Deutschland	14,800
2.3	Landwirtschaftliche Rentenbank	12,300
5.2	Danfoss	11,100
4.6	GIZ development agency	10,600

© BNP Paribas Real Estate GmbH, December 31, 2019

## TAKE-UP BY SIZE CATEGORY IN FRANKFURT



© BNP Paribas Real Estate GmbH, December 31, 2019

➤ **STRONG DEMAND FROM THE FINANCIAL SECTOR**

Despite the difficulties facing many banks in their efforts to establish profitable business models against the backdrop of the currently prevailing interest rates, banks and financial services generated by far the greatest share of the good take-up result, accounting for a good quarter of the total volume. In addition to the above-stated lets, major deals were also concluded by Deutsche Bundesbank, BNP Paribas and Landwirtschaftliche Rentenbank, for example. Second place, on a good 13 %, goes to consultancies, which also represent a traditionally important sector in Frankfurt. Public administration and other services also contributed double-figure shares to the total take-up, on 12 % and 10 % respectively. The fast-growing coworking sector reported a share of 6 %, which was slightly down on the previous year.

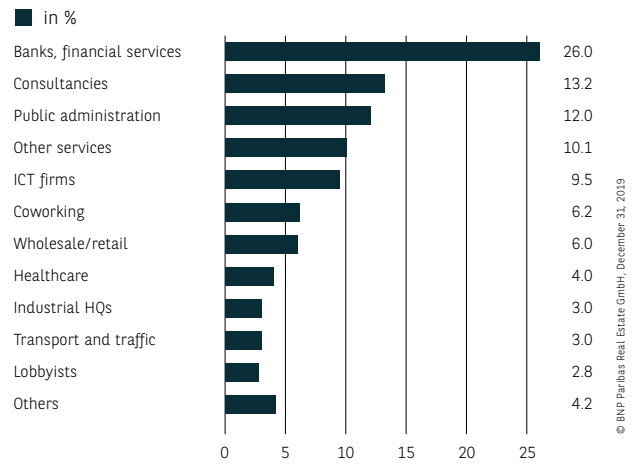
➤ **BARELY OVER 1 MILLION m<sup>2</sup> OF VACANT SPACE REMAINING**

The fast-paced decline of vacant space continued in 2019. At barely 1.05 million m<sup>2</sup>, which represents a drop of a good 8 %, it is only just over the 1 million m<sup>2</sup> mark. Modern vacant space, which is the most important segment with regard to the prevailing demand, also shrank by 4 %. Not even half (477,000 m<sup>2</sup>) of the total vacant space is appointed to the high standard preferred by users. The vacancy rate for the market as a whole has fallen to 6.8 %. In the more narrowly defined market territory, it stands at 6.5 %. In the central locations of the CBD in particular, the supply of large units of modern office space falls short of the prevailing demand in some instances, as is highlighted by the vacancy ratio's drop to 3.2 % in the City Centre zones.

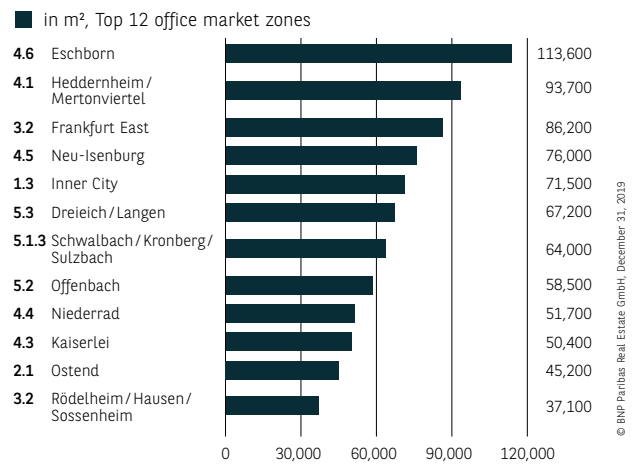
➤ **RISE IN SPACE UNDER CONSTRUCTION**

The strong demand and the good take-up of recent years have not only caused the volume of vacant space to drop substantially, but also prompted an increase in construction activity. This rose once again last year by 7 %, taking the total space currently under construction to 630,000 m<sup>2</sup>. Of this total, the space which remains available to the market has also risen by 8 % to 330,000 m<sup>2</sup>, corresponding to around half of the total construction volume. As such, construction activity is no longer far off the peak levels which applied at the turn of the millennium. However, the completely different picture presented by today's supply and demand situation is illustrated by the fact that the total available supply (vacant space + available space under construction) is at its lowest level since 2001, at just under 1.4 million m<sup>2</sup>.

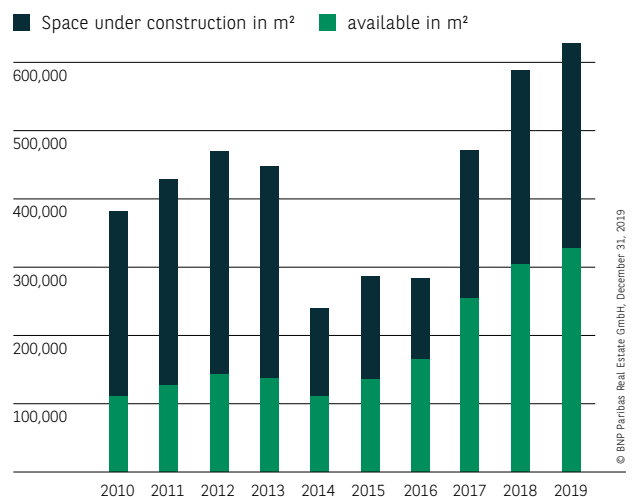
**TAKE-UP BY SECTOR IN FRANKFURT**



**VACANT SPACE BY LOCATION IN FRANKFURT**



**SPACE UNDER CONSTRUCTION IN FRANKFURT**



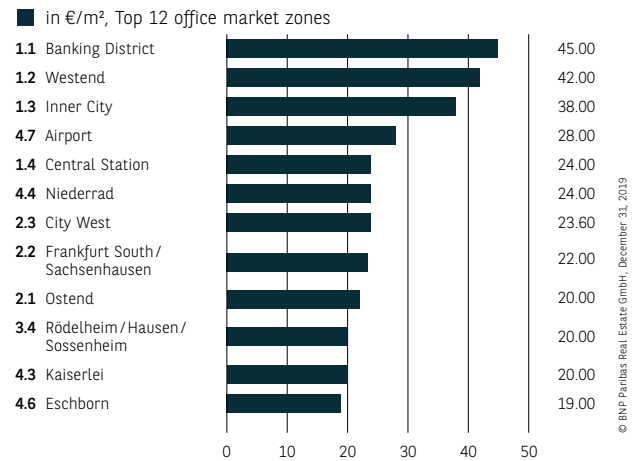
### RENTS CONTINUE TO RISE, AS EXPECTED

As in the other major locations in Germany, rents also continued to rise in Frankfurt in 2019. In addition to the good demand combined with a declining supply, this upward trend is also attributable to the increases in land prices and construction costs in recent years. The prime rent increased by a good 2 % in comparison to the previous year, to 45 €/m<sup>2</sup> – its highest level for almost 20 years. The average rent rose markedly more sharply, by almost 9 %. At 19.90 €/m<sup>2</sup>, it is now nudging the €20 mark and is on its way to establishing a new all-time high. It is particularly striking that both the prime and average rents increased in virtually all office market zones, underscoring the fact that the rent increases represent a fundamental and sustained trend resulting from the outlined underlying conditions.

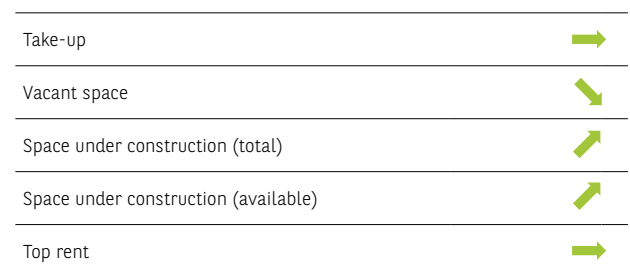
### OUTLOOK FOR 2020

The underlying conditions for the German office markets remain overwhelmingly positive for the current year, too. An improving macro-economic development and the continuing stability of the labour market should generally spur demand and maintain it at a high level. This also applies without qualification to the Frankfurt market. It is nevertheless difficult to make forecasts about Frankfurt, as the demand situation may alter when Brexit actually comes about. As things stand, take-up above the ten-year average and in the order of 600,000 to 650,000 m<sup>2</sup> appears the most probable scenario. On the supply side, there is a chance that vacant space could breach the 1 million m<sup>2</sup> threshold. At the same time, construction activity should again increase slightly. A further slight upward trend is also to be expected for average rents. It remains to be seen whether the prime rent also harbours further upward potential.

### TOP RENTS BY LOCATION IN FRANKFURT



### TRENDS IN IMPORTANT MARKET INDICATORS IN FRANKFURT



© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR FRANKFURT

Rents (€/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> )		
Prime rent*	Average		total	modern	normal	unrefurbished	finished	total	available	available	projected			
		2019		total	of this, since completion	total		2020	from 2021					
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14	
<b>1</b>	<b>City Centre</b>													
1.1	Banking District													
	45.00	33.90	61,400	35,000	35,000	20,700	0	0	65,400	114,600	180,000	104,200	139,200	24,000
1.2	Westend													
	42.00	25.50	41,900	35,100	16,000	5,500	19,100	0	8,800	0	8,800	3,700	38,800	3,300
1.3	Inner City													
	38.00	22.80	148,300	71,500	48,600	9,800	22,900	0	61,000	89,000	150,000	55,900	127,400	95,900
1.4	Central Station													
	24.00	18.50	5,800	14,100	2,200	0	11,900	0	50,000	0	50,000	0	14,100	39,000
<b>2</b>	<b>Centre Fringe</b>													
2.1	Ostend													
	20.00	15.10	21,300	45,200	12,400	0	32,800	0	17,300	0	17,300	10,700	55,900	73,200
2.2	Frankfurt South/Sachsenhausen													
	22.00	15.20	18,400	17,300	5,600	0	11,700	0	0	0	0	0	17,300	100
2.3	Centre West													
	23.60	17.40	48,800	17,400	11,500	0	5,900	0	0	8,000	8,000	8,000	25,400	0
<b>3</b>	<b>City Fringe</b>													
3.1	Frankfurt North													
	18.90	14.30	3,000	1,800	0	0	1,800	0	0	0	0	0	1,800	0
3.2	Frankfurt East													
	13.00	11.40	8,000	86,200	65,000	1,400	17,900	3,300	0	0	0	0	86,200	0
3.3	Frankfurt West/Gallusviertel													
	16.00	14.00	6,800	17,100	900	0	10,500	5,700	0	0	0	0	17,100	0
3.4	Rödelheim/Hausen/Sossenheim													
	20.00	12.00	16,700	37,100	2,000	600	35,100	0	7,500	0	7,500	5,700	42,800	31,400
<b>4</b>	<b>Subcentres</b>													
4.1	Heddernheim/Mertonviertel													
	16.50	13.40	11,500	93,700	84,400	1,800	9,300	0	0	0	0	0	93,700	0
4.2	Nieder-Eschbach													
	11.80	9.50	6,700	33,600	16,600	0	17,000	0	0	0	0	0	33,600	9,500
4.3	Kaiserlei													
	20.00	17.30	5,000	50,400	39,400	2,900	11,000	0	8,000	0	8,000	0	50,400	120,300
4.4	Niederrad													
	24.00	20.30	81,200	51,700	30,500	3,300	21,200	0	9,800	43,000	52,800	48,400	100,100	45,800
4.5	Neu-Isenburg													
	16.00	11.10	12,000	76,000	26,000	3,000	50,000	0	2,000	0	2,000	2,000	78,000	41,000
4.6	Eschborn													
	19.00	12.90	48,200	113,600	9,500	0	104,100	0	37,900	14,900	52,800	37,900	151,500	197,900
4.7	Airport													
	28.00	22.60	40,000	17,200	14,400	10,000	2,800	0	26,300	31,500	57,800	48,500	65,700	53,600
<b>Total Frankfurt</b>			<b>585,000</b>	<b>814,000</b>	<b>420,000</b>	<b>59,000</b>	<b>385,000</b>	<b>9,000</b>	<b>294,000</b>	<b>301,000</b>	<b>595,000</b>	<b>325,000</b>	<b>1,139,000</b>	<b>735,000</b>
<b>5</b>	<b>Periphery</b>													
5.1	Vordertaunus													
5.1.1	Bad Homburg													
	17.00	15.50	10,000	30,000	5,700	0	24,300	0	2,100	0	2,100	2,100	32,100	27,900
5.1.2	Oberursel													
	11.00	9.50	1,700	13,300	100	0	13,200	0	0	0	0	0	13,300	92,000
5.1.3	Schwalbach/Kronberg/Sulzbach													
	13.50	12.50	5,600	64,000	24,000	0	40,000	0	0	0	0	0	64,000	111,700
5.2	Offenbach													
	17.00	15.00	24,000	58,500	27,000	1,000	31,500	0	7,900	25,000	32,900	2,900	61,400	57,200
5.3	Dreieich/Langen													
	12.50	8.90	8,700	67,200	200	0	67,000	0	0	0	0	0	67,200	248,200
<b>Total Periphery</b>			<b>50,000</b>	<b>233,000</b>	<b>57,000</b>	<b>1,000</b>	<b>176,000</b>	<b>0</b>	<b>10,000</b>	<b>25,000</b>	<b>35,000</b>	<b>5,000</b>	<b>238,000</b>	<b>537,000</b>
<b>Total</b>			<b>635,000</b>	<b>1,047,000</b>	<b>477,000</b>	<b>60,000</b>	<b>561,000</b>	<b>9,000</b>	<b>304,000</b>	<b>326,000</b>	<b>630,000</b>	<b>330,000</b>	<b>1,377,000</b>	<b>1,272,000</b>
N.B. gif market area			573,000	738,000	394,000	56,000	335,000	9,000	292,000	301,000	593,000	323,000	1,061,000	694,000

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# HAMBURG

## THE HANSEATIC CITY DISPLAYS IMPRESSIVE STABILITY

At 514,000 m<sup>2</sup>, the annual take-up on Hamburg's office market was more moderate in 2019 than in the two strong preceding years (563,000 m<sup>2</sup> and 613,000 m<sup>2</sup>). As such, the result is roughly on a par with the 10-year average (519,000 m<sup>2</sup>). Hamburg has now topped the 500,000 m<sup>2</sup> mark every year since 2014, highlighting the stable demand for office space and the good underlying economic conditions offered by this major city on the Elbe. Take-up was headed for a new record in the first half of the year (306,000 m<sup>2</sup>), before cooling off considerably in the second half. This downturn was attributable to an absence of major deals and a lack of supply in this segment: no contract for over 10,000 m<sup>2</sup> was concluded in the final two quarters, while in the previous six months five such deals had been reported.

## CENTRAL AND WATERSIDE LOCATIONS PARTICULARLY IN DEMAND

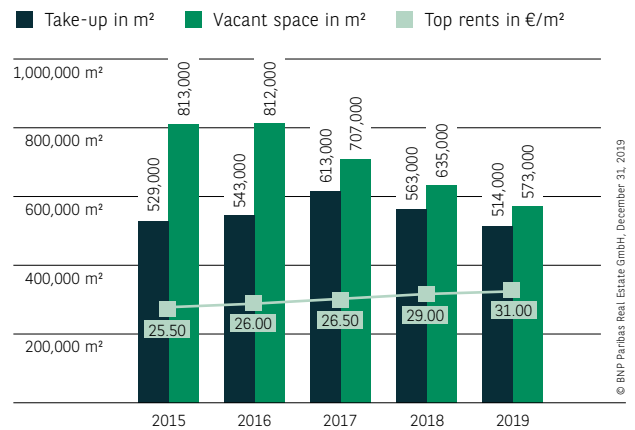
Central and waterside locations are traditionally highly sought-after in Hamburg. The City Centre was the most popular office market zone in Hamburg once again in 2019, contributing a share of more than 21 % to the total take-up. Demand was also high in Hafencity, with 68,000 m<sup>2</sup> marking the second-best result ever achieved in this market zone. New office space continues to be built in Hamburg's youngest district, and many companies value the prominent setting offered by the former free port site, combining views of the Elbe with a central location. A further notable factor is that many office tenants are increasingly favouring the extensive office space available in the Extended Inner City (82,000 m<sup>2</sup>) and the Remaining Municipal Area (103,000 m<sup>2</sup>), as adequate reserves of land continue to be available for developments here.

## MUCH ACTIVITY IN THE MEDIUM-SIZED SEGMENT

The breakdown by size categories shows almost all categories with similar shares to in 2018, with space in the medium-sized segment again particularly sought after. The three size categories between 500 and 5,000 m<sup>2</sup> account for around 55 % of the total take-up. This broad base indicates a buoyant market and a diversified demand structure. In absolute terms, only major deals showed an increase over the previous year (+36 %). This growth was fuelled in particular by the Otto Group's new development in Wandsbek (40,000 m<sup>2</sup>).

## DEVELOPMENT OF TAKE-UP,

### VACANT SPACE AND TOP RENTS IN HAMBURG



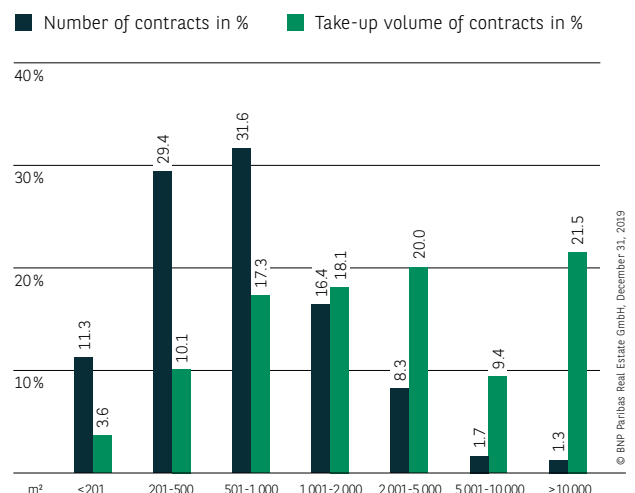
© BNP Paribas Real Estate GmbH, December 31, 2019

## MAJOR CONTRACTS IN HAMBURG

OMZ	Company	m <sup>2</sup>
3.7	Otto	40,000
1.3	Xing	21,600
1.3	Vattenfall Europe Hamburg	17,500
2.5	GIGA German Institute of Global and Area Studies	15,700
2.5	Universität Hamburg	15,200
3.5	SIGNAL IDUNA-Gruppe	10,000
2.1	Lichtblick - die Zukunft der Energie (energy utility)	8,200
2.2	Intelligent Apps	6,900
1.1	Unilever Deutschland	6,300

© BNP Paribas Real Estate GmbH, December 31, 2019

## TAKE-UP BY SIZE CATEGORY IN HAMBURG



© BNP Paribas Real Estate GmbH, December 31, 2019



**➤ FIVE SECTORS IN DOUBLE FIGURES**

Hamburg's diversified economic structure is also reflected in the breakdown by sectors, which again shows a broad footing for Hamburg's office market. No less than five business categories achieve double-figure shares, with the traditionally strong other services leading the ranking at the end of the year on 16.2%, just ahead of wholesale/retail (16.1%). While the owner-occupation deal of the Otto Group had a particular impact on the result for the wholesale/retail sector, the top-ranking other services failed to report a single contract above 5,000 m<sup>2</sup>, however. In all, this collective category has led the rankings no less than seven times in the past decade. ICT firms round off the winning trio, with Xing's impending relocation to the current Unilever building in 2021 definitely marking the year's most prominent deal. Double-figure results were also reported by public administration (13%) and industrial HQs (12%).

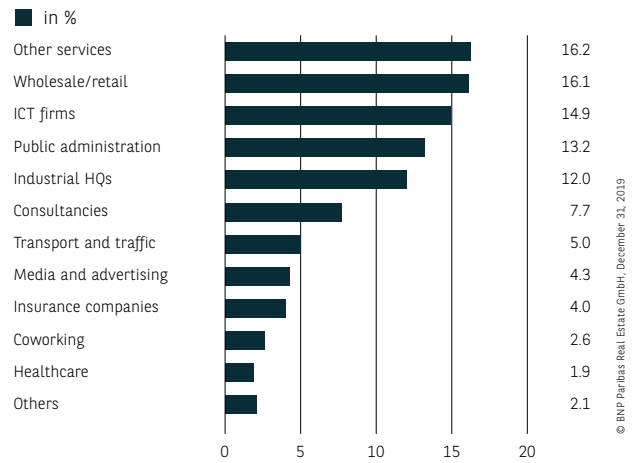
**➤ SUPPLY SITUATION BECOMING INCREASINGLY STRAINED**

The volume of vacant space has dropped below 600,000 m<sup>2</sup> again for the first time since 2001. Whereas the demand for office space plummeted back then after the dotcom bubble burst, Hamburg's economy is now enjoying continual growth on sound foundations, however. This situation has caused the supply of space available in the short term to fall continually over the past twelve quarters. The situation is most severely strained in the most sought-after segment of modern premises: At 108,000 m<sup>2</sup>, the vacant space here does not even account for one fifth of the total vacant volume (19%), and has shrunk by around 16% in the space of a year. The vacancy rate is consequently at its lowest level since 2000, at 4.1%. In the most important market zones, such as City Centre or HafenCity, the vacancy levels are even well below 3% and thus fall short of the crucial turnover reserve.

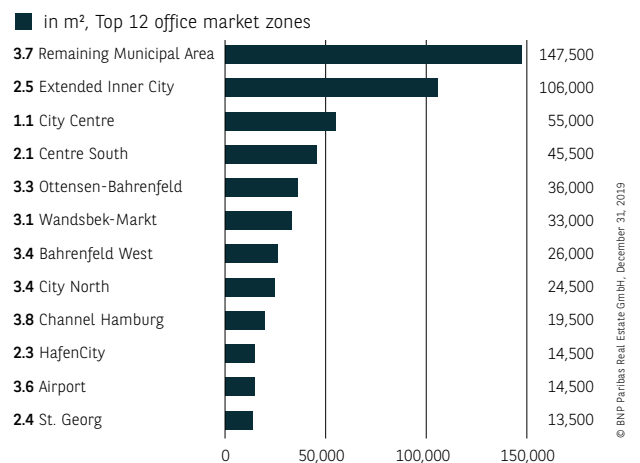
**➤ CONSTRUCTION ACTIVITY STEPPED UP AT THE ELBE AND THE ALSTER LAKES**

Construction activity has increased by almost a quarter in the space of a year. 432,000 m<sup>2</sup> of office space is under construction in Hamburg, representing the highest level since 2012. Only around one third (142,000 m<sup>2</sup>) of this total remains available, however. The largest capacities apply in the southern Überseequartier which is under construction in HafenCity and the new Deutschlandhaus at the Gänsemarkt in the City Centre. Neither of these two construction projects are expected to be completed until 2022, however.

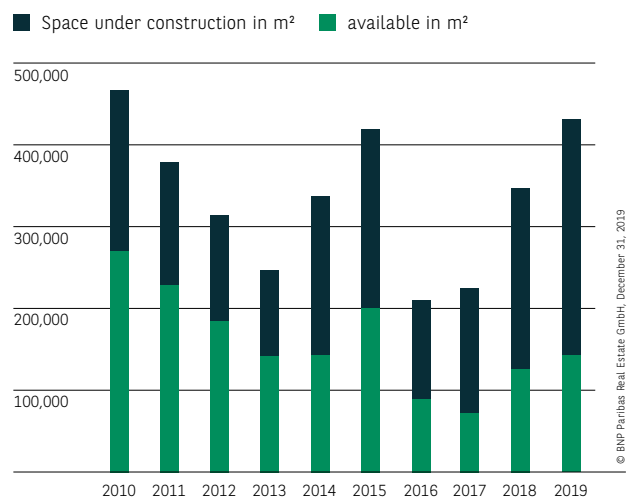
**TAKE-UP BY SECTOR IN HAMBURG**



**VACANT SPACE BY LOCATION IN HAMBURG**



**SPACE UNDER CONSTRUCTION IN HAMBURG**



### ➤ PRIME RENT TOPS 30 €/m<sup>2</sup> FOR FIRST TIME

The demand for office space remains high, while the available supply continues to decline. As might be expected, this constellation leads to rising rents in virtually all locations. The prime rent alone has increased by a full 2 €/m<sup>2</sup> in the past twelve months, to a current level of 31 €/m<sup>2</sup>. This level is attained in prestigious buildings located in highly reputed inner-city streets, such as Ballindamm, Alter Wall or Hohe Bleichen. Average rents have risen even more sharply, at almost 11 %. They currently stand at 17.70 €/m<sup>2</sup>. The strongest increases in rents in the past ten years have occurred in Altona-Zentrum (+67 %) and Centre North (+65 %). The latter was developed as an office district in the 1960s and is currently experiencing a renaissance. Almost all the buildings have been refurbished and modernised and are virtually fully let. Bahrenfeld-West presently has the lowest average rent, at 11.00 €/m<sup>2</sup>. By way of comparison, the average rent in the City Centre is more than twice as high, at 22.50 €/m<sup>2</sup>.

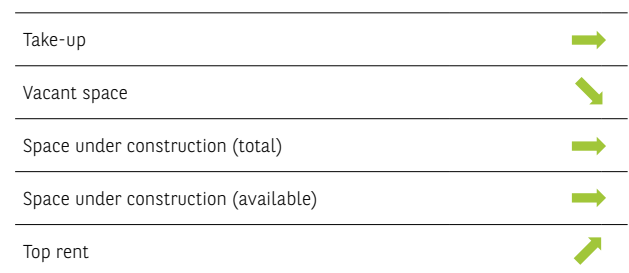
### ➤ TRENDS SET TO CONTINUE IN 2020

Hamburg is one of Germany's most stable office markets, with the currently discernible signs for 2020 again indicating a good to very good year. This outlook stems above all from the underlying economic setting with sustained economic and employment growth. The breadth of demand, spanning diverse sectors and size categories, is also likely to have a positive impact. The fact that a number of major deals are already taking on concrete form further underpins this assessment. As such, there is every indication that take-up will exceed 500,000 m<sup>2</sup> once again in 2020, although the restrictions on the supply side may curb the actual demand. The decline in vacant space will in all probability continue, raising the possibility of the vacancy rate dropping below 4 % for the first time since the turn of the millennium in the coming quarters. In the light of these developments, a further moderate increase in rents is also probable.

### TOP RENTS BY LOCATION IN HAMBURG



### TRENDS IN IMPORTANT MARKET INDICATORS IN HAMBURG



© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR HAMBURG

Rents (€/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> )			
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected			
		2019	total	of this, since completion			2020	from 2021						
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14	
<b>1</b>	<b>City Centre</b>													
1.1	City Centre													
	31.00	22.50	110,000	55,000	24,000	3,500	28,000	3,000	72,500	32,000	104,500	55,500	112,500	170,000
1.2	Eastern Harbour Fringe													
	21.00	20.00	7,000	4,500	0	0	4,500	0	5,000	0	5,000	0	4,500	10,000
1.3	HafenCity													
	26.00	21.50	68,000	14,500	10,000	0	4,500	0	5,000	48,000	53,000	48,000	62,500	190,000
1.4	Western City Fringe – St. Pauli													
	25.00	20.00	5,000	4,000	2,000	0	2,000	0	0	0	0	0	4,000	0
<b>2</b>	<b>Centre Fringe</b>													
2.1	Centre South													
	21.00	14.50	52,500	45,500	7,000	0	35,000	3,500	45,000	0	45,000	0	45,500	130,000
2.2	Western Harbour Fringe													
	23.00	22.00	10,000	10,000	4,000	0	6,000	0	0	0	0	0	10,000	0
2.3	Alster Precincts													
	25.00	19.50	11,000	11,500	4,000	3,000	7,500	0	0	0	0	0	11,500	0
2.4	St. Georg													
	18.50	16.50	4,000	13,500	500	0	12,500	500	0	0	0	0	13,500	0
2.5	Extended Inner City													
	17.50	14.00	82,000	106,000	15,000	1,000	83,000	8,000	20,000	0	20,000	5,000	111,000	135,000
<b>3</b>	<b>Subcentres</b>													
3.1	Wandsbek-Markt													
	11.50	11.50	2,000	33,000	0	0	29,000	4,000	0	0	0	0	33,000	0
3.2	Altona-Zentrum													
	20.00	18.00	2,500	7,500	1,000	0	2,500	4,000	0	0	0	0	7,500	5,000
3.3	Ottensen-Bahrenfeld													
	18.50	15.50	26,000	36,000	15,000	10,000	17,000	4,000	29,000	0	29,000	5,000	41,000	65,000
3.4	Bahrenfeld West													
	12.50	11.00	3,500	26,000	3,000	0	23,000	0	0	0	0	0	26,000	0
3.5	Centre North													
	15.50	15.00	17,000	24,500	1,500	0	23,000	0	0	42,000	42,000	19,000	43,500	140,000
3.6	Airport													
	14.00	11.50	4,500	14,500	0	0	12,000	2,500	0	0	0	0	14,500	0
3.7	Remaining Municipal Area													
	16.50	11.50	103,000	147,500	14,000	3,000	120,000	13,500	7,500	126,000	133,500	9,500	157,000	60,000
3.8	Channel Hamburg													
	15.00	13.50	6,000	19,500	7,000	1,500	10,500	2,000	0	0	0	0	19,500	15,000
<b>Total</b>			<b>514,000</b>	<b>573,000</b>	<b>108,000</b>	<b>22,000</b>	<b>420,000</b>	<b>45,000</b>	<b>184,000</b>	<b>248,000</b>	<b>432,000</b>	<b>142,000</b>	<b>717,000</b>	<b>920,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# LEIPZIG

## PRONOUNCED UPWARD TREND CONTINUES

2019 saw the Leipzig office letting market continue its very good performance over recent years. Take-up of 147,000 m<sup>2</sup> marked the second-best volume ever recorded. This figure represents a 9 % increase over the previous year, and outstrips the 10-year average by a hefty 31 %. While performance on the Leipzig market is traditionally underpinned by the segment comprising deals of below 5,000 m<sup>2</sup>, in 2019 the letting market was also stimulated by major deals. The lets to the Federal Trunk Road Authority (11,500 m<sup>2</sup>), the customs training centre (8,200 m<sup>2</sup>) and Leipzig University of Applied Sciences – HTWK (6,800 m<sup>2</sup>) represent three of the ten largest lets of the past ten years.

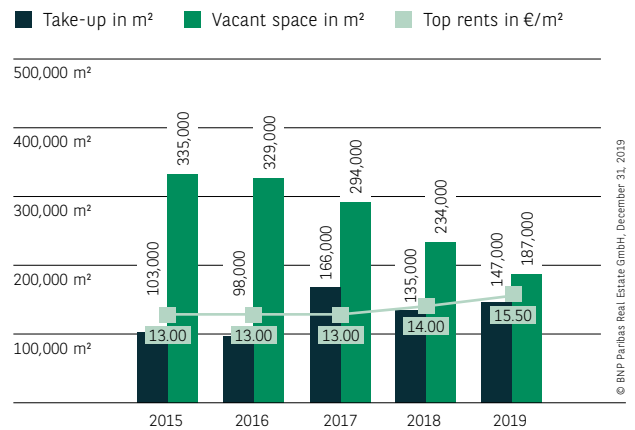
## FAMILIAR BREAKDOWN OF TAKE-UP ACROSS SUBMARKETS

True to form, City Centre (21,500 m<sup>2</sup>) and Graphisches Viertel/Prager Strasse (18,500 m<sup>2</sup>) were the office market zones with the highest take-up once again in 2019. The fact that these results are down on the previous year's figures is attributable not to declining demand, but rather to the short supply of space appointed to a modern standard in these market zones. In contrast to the previous year, the City Fringe zones contributed a major share of a good 37 % to the overall result, with take-up of 54,000 m<sup>2</sup>. The growing importance of the subcentres which has been observable since 2017 also continued in 2019, with take-up of 58,500 m<sup>2</sup> representing the highest volume ever recorded in this market zone. This shows how some tenants are resorting to subcentres in the face of the short supply in the City Centre.

## STRONG RESULT FOR MAJOR DEALS

The traditionally strong market segment under 500 m<sup>2</sup> contributed a share of 39 % to the overall result, which was slightly down on the multi-year average. The medium size categories from 500 to 5,000 m<sup>2</sup> reported an average result, amassing a 43 % share. As in the record year of 2017, large-scale lets with a volume of over 5,000 m<sup>2</sup> again had a substantial influence on the overall take-up of space. The three above-stated major deals accounted for an 18 % share of the total volume – a contribution above the multi-year average for this segment.

## DEVELOPMENT OF TAKE-UP, VACANT SPACE AND TOP RENTS IN LEIPZIG



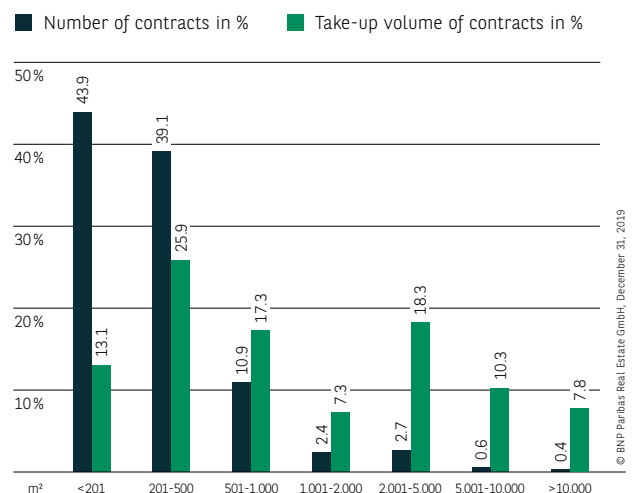
© BNP Paribas Real Estate GmbH, December 31, 2019

## MAJOR CONTRACTS IN LEIPZIG

OMZ	Company	m <sup>2</sup>
2.4	BlmA – Federal Trunk Road Authority	11,500
3.2	BlmA – Customs training centre	8,200
3.5	SIB HTWK/Free State of Saxony	6,800
1.1	SIB Universität Leipzig/Free State of Saxony	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
2.5	SIB/LKA/Free State of Saxony	2,200

© BNP Paribas Real Estate GmbH, December 31, 2019

## TAKE-UP BY SIZE CATEGORY IN LEIPZIG



© BNP Paribas Real Estate GmbH, December 31, 2019

➤ PUBLIC ADMINISTRATION PREDOMINANT

The positive take-up trend in 2019 was driven once again by the sectors which have shown a sustained strong presence on the Leipzig market for some years now. The ranking is led by the public administration sector (31 %), whose result was influenced to a substantial degree by the three major deals, which helped to ensure the highest figure ever reported. Second place goes to the collective category of other services, whose share of 17 % fell slightly short of the multi-year average. ICT firms (13 %) occupy third place on the podium, affirming their growing importance in recent years. A further notable aspect is the large share claimed by the healthcare sector (12 %).

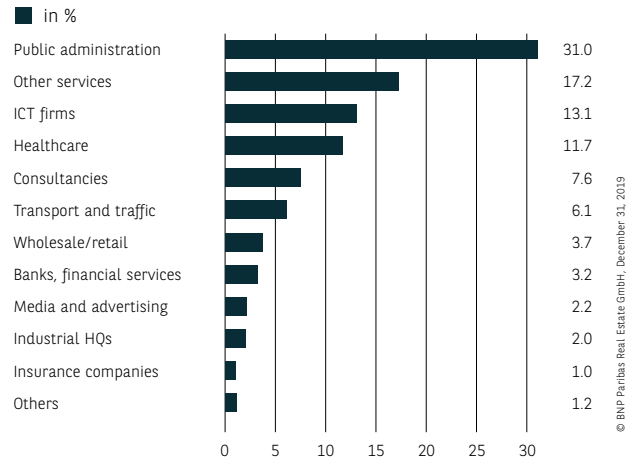
➤ FURTHER DECLINE IN VACANT SPACE

2019 saw a further reduction in the volume of vacant space, to 187,000 m<sup>2</sup>. This means that a good 20 % less office space is now vacant than at the end of the previous year, marking a new all-time low. A breakdown of vacant space within the market territory shows that only just under one third is located in the City Centre and Centre Fringe, while the majority is to be found in the subcentres and the periphery. The volume of vacant space corresponding to a modern standard is also declining, and now stands at 31,000 m<sup>2</sup> (-20 %). This means that only just under 17 % is now appointed to the standards preferred by users. The declining trend for vacant space in Leipzig is also reflected in the all-time low vacancy rate of 4.9 %, which represents a further drop of 1.3 percentage points in comparison to the previous year.

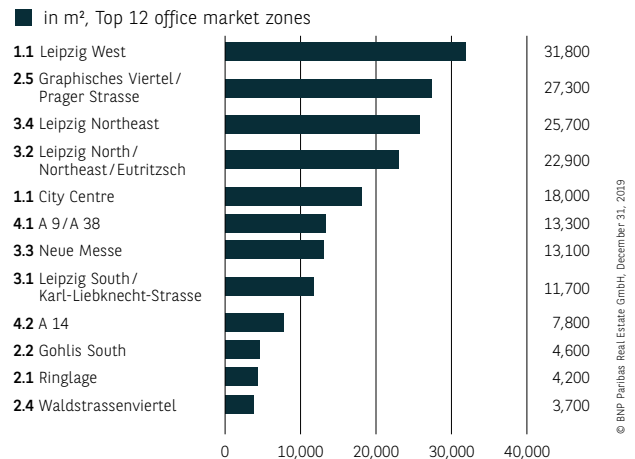
➤ INCREASE IN CONSTRUCTION ACTIVITY

Construction activity has stepped up in response to the high demand and the ever-diminishing supply of space. At the end of 2019, 77,000 m<sup>2</sup> of office space was under construction, representing a rise of a good 26 % compared to the previous year and also marking the highest year-end volume since 2000. Despite these developments, no easing of the supply situation is to be expected in the short term, as only 8,000 m<sup>2</sup> of the space under construction remain available for potential users. In particular, the available supply of the modern space which is much in demand (modern vacant space + available space under construction) has even fallen by a good 15 % in comparison to the previous year, to 39,000 m<sup>2</sup>.

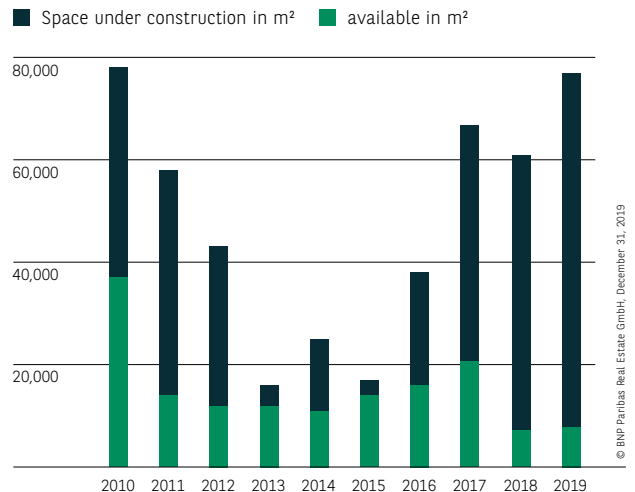
TAKE-UP BY SECTOR IN LEIPZIG



VACANT SPACE BY LOCATION IN LEIPZIG



SPACE UNDER CONSTRUCTION IN LEIPZIG



### RENTS RISING ON A PAR WITH BERLIN

The exceptional situation on the Leipzig office market continues to impact on rents. The prime rent, which is still located in the City Centre market zone, has risen by almost 11 % in the space of the past 12 months, reporting a level of 15.50 €/m<sup>2</sup> at year-end 2019. The average rent shows an even more striking upward trend, rising to 10.80 €/m<sup>2</sup>, which represents a year-on-year growth rate of almost 19 %. The fact that comparable growth rates for prime and average rents are currently only to be found in the German capital underscores the special dynamism of the Leipzig office market in impressive style.

### OUTLOOK

The outstanding annual result for the booming Leipzig office market marks a continuation of the sustained upward trend which has been in evidence over recent years. In view of an optimistic forecast for Leipzig's labour market and the improved general state of the economy, this positive course of development is likely to continue in 2020, opening up the prospect of above-average performance with a take-up volume in the order of 120,000 to 130,000 m<sup>2</sup>. This will probably be accompanied by a reduction in vacant space. As the supply of high-quality, modern premises is unlikely to increase to any substantial extent in 2020, further rent rises represent the most probable scenario.

### TOP RENTS BY LOCATION IN LEIPZIG



### TRENDS IN IMPORTANT MARKET INDICATORS IN LEIPZIG

Take-up	↓
Vacant space	↓
Space under construction (total)	↓
Space under construction (available)	↓
Top rent	↑

© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR LEIPZIG

Rents (€/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> )			
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected		
		2019					2020	from 2021					
1	2	3	4=(5+6+7)	5	6	7	8	9	10=(8+9)	11	12=(4+11)	13	
<b>1 City Centre</b>													
1.1	City Centre												
	15.50	11.70	21,500	18,000	5,200	11,600	1,200	0	0	0	0	18,000	1,500
<b>2 Centre Fringe/Centre Relief Area</b>													
2.1	Ringlage												
	14.00	11.00	11,100	4,200	1,100	2,400	700	22,500	0	22,500	1,500	5,700	7,500
2.2	Gohlis South												
	9.50	8.30	5,000	4,600	700	2,900	1,000	0	0	0	0	4,600	0
2.3	Musikviertel / Bachviertel												
	10.20	9.10	3,600	2,900	400	2,000	500	0	0	0	0	2,900	0
2.4	Waldstrassenviertel												
	10.50	8.90	15,700	3,700	400	2,800	500	0	0	0	0	3,700	0
2.5	Graphisches Viertel / Prager Strasse												
	11.50	9.00	18,500	27,300	5,200	4,100	18,000	0	23,000	23,000	0	27,300	13,000
<b>3 Subcentres</b>													
3.1	Leipzig South / Karl-Liebknecht-Strasse												
	10.80	8.80	10,800	11,700	2,200	6,300	3,200	23,000	0	23,000	4,000	15,700	15,900
3.2	Leipzig North / Northwest / Eutritzsch												
	9.10	7.90	16,600	22,900	1,800	10,700	10,400	2,500	0	2,500	2,500	25,400	16,400
3.3	Neue Messe												
	8.10	6.80	2,100	13,100	3,500	3,000	6,600	0	0	0	0	13,100	0
3.4	Leipzig Northeast												
	9.20	7.80	14,000	25,700	4,700	11,000	10,000	0	0	0	0	25,700	34,700
3.5	Leipzig West												
	11.40	8.50	15,000	31,800	1,900	9,200	20,700	0	0	0	0	31,800	30,000
<b>4 Periphery</b>													
4.1	A 9 / A 38												
	7.90	6.60	5,900	13,300	2,400	8,900	2,000	0	0	0	0	13,300	23,000
4.2	A 14												
	7.80	6.80	7,200	7,800	1,500	4,100	2,200	0	6,000	6,000	0	7,800	0
<b>Total</b>			<b>147,000</b>	<b>187,000</b>	<b>31,000</b>	<b>79,000</b>	<b>77,000</b>	<b>48,000</b>	<b>29,000</b>	<b>77,000</b>	<b>8,000</b>	<b>195,000</b>	<b>142,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# MUNICH

## TAKE-UP ON A PAR WITH TEN-YEAR AVERAGE

Following results only just short of the 1 million m<sup>2</sup> mark in 2017 and 2018, the Munich office market reported take-up at a more normal level of 770,000 m<sup>2</sup> in 2019. This represents a marked drop of a good 20% compared to the previous year. The result is nevertheless on a par with the average for the past ten years. A key reason for the lower take-up is the substantially smaller contribution made by major deals over 10,000 m<sup>2</sup>. This size category alone was responsible for more than half of the difference to the previous year's figure. A further factor to be considered is that the supply of immediately available space in the particularly sought-after central locations is far too restricted, as a result of which the prevailing demand cannot be met in full. Munich nevertheless remains in a commanding position nationwide, ranking second behind Berlin.

## SHORTAGE OF SPACE LIMITS TAKE-UP IN CITY PROPER

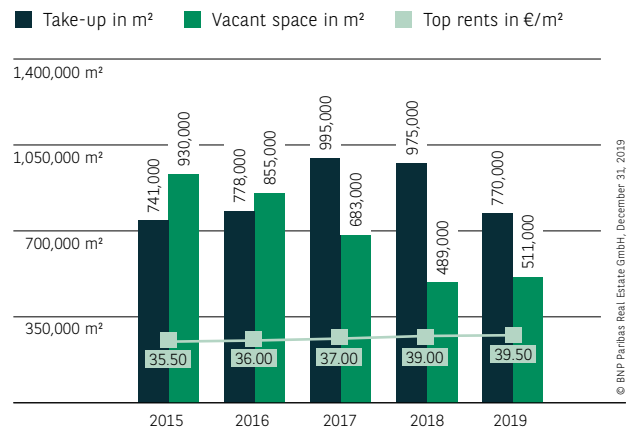
The inadequate supply is also revealed in the fact that the share of total take-up attributable to the city area stands at only 69% – the lowest figure reported in the past ten years. The central market territory normally accounts for a good three quarters of the total result. Less than half of the current vacant space is available here, however, as compared to the multi-year average of around two-thirds, forcing some office tenants to opt for peripheral locations or to postpone planned rentals. In the light of this situation, it comes as no surprise that Region North makes up the largest share of total take-up (17%), even edging slightly ahead of the City Centre (16%). Contributory factors here included an owner-occupier deal for ProSiebenSat.1 Media (26,000 m<sup>2</sup>) and a let to Allianz Deutschland (19,000 m<sup>2</sup>).

## EVEN SPREAD ACROSS THE MARKET SEGMENTS

While a disproportionately large share of major deals had a strong influence on results in the preceding two years, take-up was markedly more evenly spread in 2019. Medium-sized contracts between 2,000 and 5,000 m<sup>2</sup> claimed the largest share, contributing a good 22% to the overall result. The category over 10,000 m<sup>2</sup> accounted for a 20% share, representing a drop of seven percentage points compared to the previous year. With the exception of contracts for up to 200 m<sup>2</sup>, which have a 2% share, all other size categories contribute shares of between 12 and 16%, underscoring the overall very stable and well-balanced demand situation.

## DEVELOPMENT OF TAKE-UP,

### VACANT SPACE AND TOP RENTS IN MUNICH



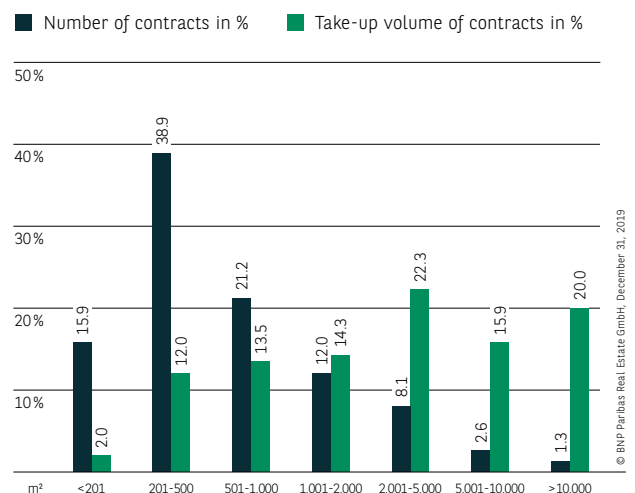
© BNP Paribas Real Estate GmbH, December 31, 2019

## MAJOR CONTRACTS IN MUNICH

OMZ	Company	m <sup>2</sup>
1.1	Apple	32,500
4.1	ProSiebenSat.1 Media	26,000
3.5	Bayerischer Rundfunk (broadcasting corporation)	25,000
4.1	Allianz Deutschland	19,000
1.1	Design Offices	15,500
2.2	Accenture	12,500
2.6	Google	12,000
1.1	Bavarian State Ministry of the Interior, for Sport and Integration	11,500
3.1	Munich Department of Works	10,000

© BNP Paribas Real Estate GmbH, December 31, 2019

## TAKE-UP BY SIZE CATEGORY IN MUNICH



© BNP Paribas Real Estate GmbH, December 31, 2019



**➤ FAMILIAR SECTORAL BREAKDOWN**

A familiar picture is to be observed here, with the traditionally strong sectors again occupying the leading positions. ICT firms lead the rankings with a share of just under 23 %, including major deals for Apple (32,500 m<sup>2</sup>) and Google (12,000 m<sup>2</sup>). This represents the highest share of recent years for this category. Industrial HQs follow up in second place, with a share of just under 17 % on a par with the multi-year average. Other major contributors were consultancies, with a share of almost 12 %, media and advertising (just under 10 %) and public administration (a good 8 %).

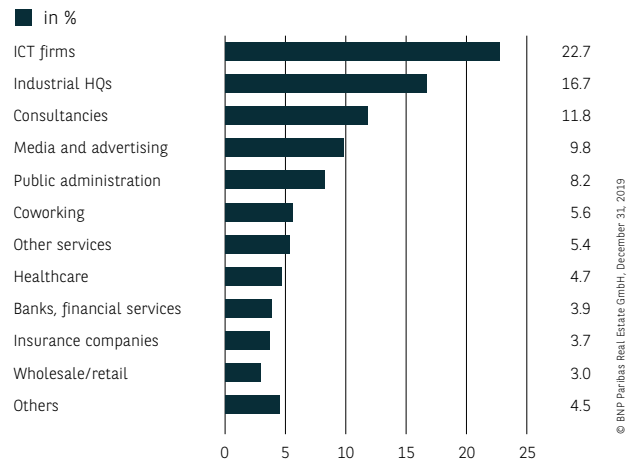
**➤ VACANT SPACE REMAINS AT ALL-TIME LOW**

The situation regarding vacant space shows no sign of easing, despite an increase of just under 5 % compared to the previous year, to 511,000 m<sup>2</sup>. This is still one of the lowest volumes of the past 20 years, and a good 50 % below the ten-year average. The same applies to modern vacant space – the most important segment in terms of marketability. Despite a marked increase in relative terms of almost 23 %, this category nevertheless amasses only 119,000 m<sup>2</sup> of space. This is almost two thirds down on the ten-year average. As such, barely a quarter of the total vacant space corresponds to the standard of quality preferred by users. At 2.4 %, the vacancy ratio in the market territory is well below the turnover reserve. The situation is particularly severe in the City Centre, where only 11,000 m<sup>2</sup> of modern vacant space is available, bringing the vacancy rate for the city area down to an all-time low of 1.4 %.

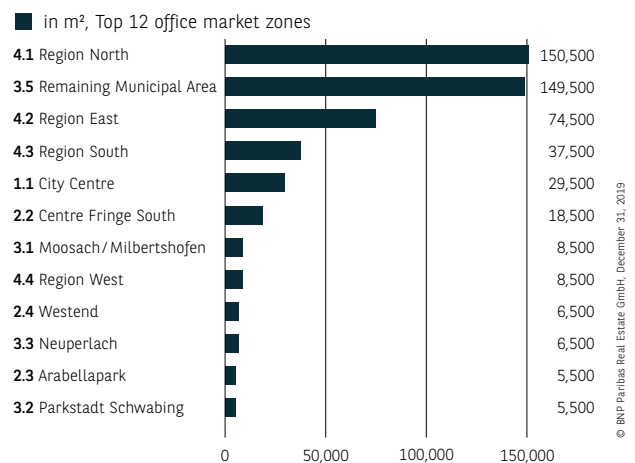
**➤ RETURN OF SLIGHT DOWNWARD TREND FOR SPACE UNDER CONSTRUCTION**

Following a rise in construction activity in recent years, 2019 witnessed a slight decline of just under 16 %, to a good 1.03 million m<sup>2</sup>. Of this total volume, the space which remains available to the market has also declined, dropping by just under 7 % to 457,000 m<sup>2</sup>. This leaves less than half of the space on the market accessible to the letting market. The most serious problem facing Munich's office market concerns the regional breakdown of this supply of space, however. Only 7,500 m<sup>2</sup> of the available newly completed space is located in the City Centre. Adding the City Fringe zones only brings the total up to 100,000 m<sup>2</sup>. This means that only around one quarter of the available newly built space is located in the more central locations which are preferred by users and increasingly also by employees.

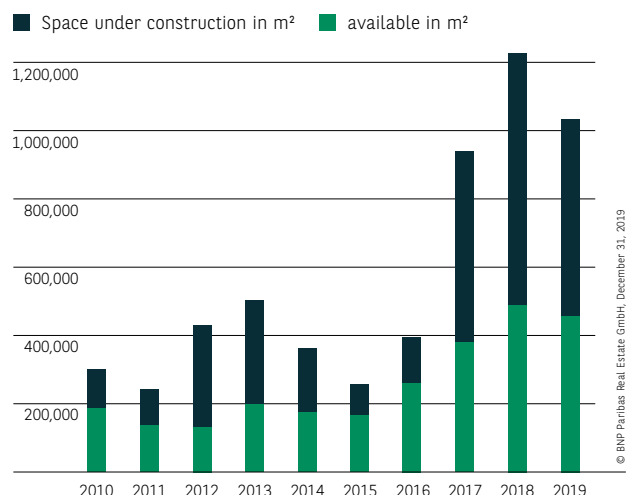
**TAKE-UP BY SECTOR IN MUNICH**



**VACANT SPACE BY LOCATION IN MUNICH**



**SPACE UNDER CONSTRUCTION IN MUNICH**



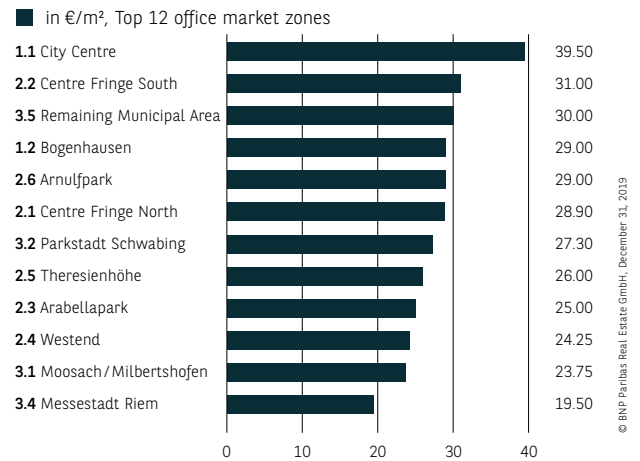
## RENTS STILL ON THE ASCENDANT

The upward trend for rents has continued as expected, as the supply and demand situation continues to give rise to strong competition between tenants for the short supply of attractive premises. In the case of the prime rent, the rise of a good 1 % to a present level of 39.50 €/m<sup>2</sup> is comparatively moderate, due to a lack of premium properties in absolutely prime locations. The attained average rents show a different picture, rising by around 6 % to a current level of 20 €/m<sup>2</sup>. Different trends are also in evidence here between the individual office market zones, however, which vary according to the available supply of high-quality, modern office space. As things stand, the prime rent nevertheless appears set to top the 40 €/m<sup>2</sup> mark for the first time in the first half of 2020.

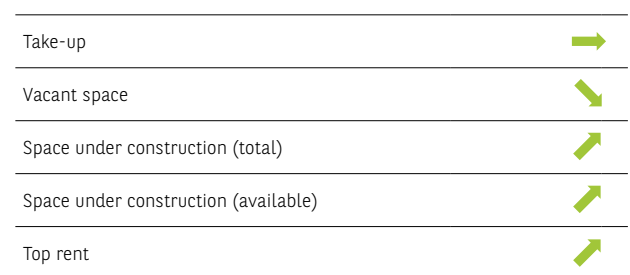
## OUTLOOK FOR 2020

In the face of growing signs of an economic recovery in 2020 and a slight increase in economic growth, the underlying prospects for the Munich office market are positive. The latest forecasts predict a continuing stable situation on the employment market, which should have beneficial effects. These underlying conditions will continue to be tempered by an inadequate supply in the central locations, however, as a result of which it is likely that the market will again be unable to fully meet the prevailing demand in 2020. The total volume of vacant space should be on the brink of bottoming out, while in the modern space segment a further decline represents the most probable scenario. Against this background, take-up of office space on a par with 2019 appears realistic. It remains to be seen whether the 800,000 m<sup>2</sup> threshold can be breached. Further increases in rents are likely in the course of the year.

## TOP RENTS BY LOCATION IN MUNICH



## TRENDS IN IMPORTANT MARKET INDICATORS IN MUNICH



© BNP Paribas Real Estate GmbH, December 31, 2019

## KEY INDICATORS FOR MUNICH

Rents (€/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> )				
Prime rent*	Average		total	modern	normal	unrefur- bished	finished	total	available	available	projected			
		2019	total	of this, since completion	total		2020	from 2021						
1	2	3	4=(5+7+8)	5	6	7	8	9	10	11=(9+10)	12	13=(4+12)	14	
<b>1 City Centre</b>														
1.1	City Centre													
	39.50	32.20	124,500	29,500	11,000	0	18,500	0	40,000	31,000	71,000	7,500	37,000	245,000
1.2	Bogenhausen													
	29.00	23.00	2,000	4,000	3,500	0	500	0	0	0	0	0	4,000	68,000
<b>2 Centre Fringe (inside Mittlerer Ring)</b>														
2.1	Centre Fringe North													
	28.90	21.40	26,500	2,500	1,500	0	1,000	0	46,500	39,000	85,500	20,500	23,000	163,500
2.2	Centre Fringe South													
	31.00	23.40	75,500	18,500	1,000	500	17,500	0	38,000	54,500	92,500	51,000	69,500	287,000
2.3	Arabellapark													
	25.00	18.70	3,500	5,500	1,000	0	4,500	0	0	0	0	0	5,500	2,500
2.4	Westend													
	24.25	19.80	29,000	6,500	3,000	1,000	3,500	0	9,000	23,000	32,000	19,500	26,000	71,000
2.5	Theresienhöhe													
	26.00	20.00	2,000	0	0	0	0	0	0	5,500	5,500	2,000	2,000	0
2.6	Arnulfpark													
	29.00	22.70	15,500	0	0	0	0	0	0	0	0	0	0	0
<b>3 Subcentres</b>														
3.1	Moosach/Milbertshofen													
	23.75	20.50	39,500	8,500	5,000	2,500	3,500	0	8,500	34,000	42,500	28,500	37,000	103,000
3.2	Parkstadt Schwabing													
	27.30	19.20	21,500	5,500	3,000	0	2,500	0	4,000	6,000	10,000	3,500	9,000	30,000
3.3	Neuperlach													
	16.60	13.40	5,000	6,500	0	0	6,500	0	0	0	0	0	6,500	25,000
3.4	Messestadt Riem													
	19.50	16.70	19,500	3,500	3,500	0	0	0	0	7,500	7,500	0	3,500	0
3.5	Remaining Municipal Area													
	30.00	18.40	165,000	149,500	34,500	9,000	115,000	0	256,000	180,500	436,500	161,500	311,000	626,000
<b>Total Munich</b>			<b>529,000</b>	<b>240,000</b>	<b>67,000</b>	<b>13,000</b>	<b>173,000</b>	<b>0</b>	<b>402,000</b>	<b>381,000</b>	<b>783,000</b>	<b>294,000</b>	<b>534,000</b>	<b>1,714,000</b>
<b>4 Periphery</b>														
4.1	Region North													
	18.00	13.10	129,000	150,500	28,500	0	122,000	0	90,000	88,500	178,500	133,500	284,000	484,500
4.2	Region East													
	16.90	12.50	43,500	74,500	18,000	2,000	56,500	0	19,000	15,000	34,000	15,000	89,500	155,000
4.3	Region South													
	18.00	13.20	36,000	37,500	5,000	5,000	32,500	0	22,500	0	22,500	14,500	52,000	182,000
4.4	Region West													
	15.90	12.40	32,500	8,500	500	0	8,000	0	1,500	14,500	16,000	0	8,500	48,500
<b>Total Periphery</b>			<b>241,000</b>	<b>271,000</b>	<b>52,000</b>	<b>7,000</b>	<b>219,000</b>	<b>0</b>	<b>133,000</b>	<b>118,000</b>	<b>251,000</b>	<b>163,000</b>	<b>434,000</b>	<b>870,000</b>
<b>Total</b>			<b>770,000</b>	<b>511,000</b>	<b>119,000</b>	<b>20,000</b>	<b>392,000</b>	<b>0</b>	<b>535,000</b>	<b>499,000</b>	<b>1,034,000</b>	<b>457,000</b>	<b>968,000</b>	<b>2,584,000</b>

\* The top rent given applies to a market segment of 3-5 % in each case.

© BNP Paribas Real Estate GmbH, December 31, 2019

# 5 BUSINESS LINES in Germany

## German locations

### BNP PARIBAS REAL ESTATE GMBH

**10719 Berlin**  
Kurfürstendamm 22  
☎ +49 (0)30-884 65-0

**50670 Cologne**  
Im Klapperhof 3-5  
☎ +49 (0)221-93 46 33-0

**01067 Dresden**  
Dr.-Külz-Ring 15  
☎ +49 (0)351-79 67 57-300

**40213 Düsseldorf**  
Breite Strasse 22  
☎ +49 (0)211-52 00-00

**45127 Essen**  
Kettwiger Strasse 2-10  
☎ +49 (0)201-820 22-2

**60311 Frankfurt am Main**  
Goetheplatz 4  
☎ +49 (0)69-298 99-0

**20354 Hamburg**  
Hohe Bleichen 12  
☎ +49 (0)40-348 48-0

**04109 Leipzig**  
Markt 16  
☎ +49 (0)341-711 88-0

**80539 Munich**  
Maximilianstrasse 35,  
Building C / Entrance  
Herzog-Rudolf-Strasse  
☎ +49 (0)89-55 23 00-0

**70173 Stuttgart**  
Lautenschlagerstrasse 22  
☎ +49 (0)711-21 47 80-50

### BNP PARIBAS REAL ESTATE PROPERTY MANAGEMENT GMBH

**10719 Berlin**  
Kurfürstendamm 22  
☎ +49 (0)30-884 65-0

**01067 Dresden**  
Ammonstrasse 72  
☎ +49 (0)351-79 67 57-10

**40547 Düsseldorf**  
Fritz-Vornfelde-Strasse 26  
☎ +49 (0)211-301 82-0

**60594 Frankfurt am Main**  
Walther-von-Cronberg-Platz 2  
☎ +49 (0)69-297 24 36-0

**20355 Hamburg**  
Axel-Springer-Platz 3  
☎ +49 (0)40-348 48-0

**30159 Hannover**  
Karmarschstrasse 20-22  
☎ +49 (0)511-89 73 73-0

**04109 Leipzig**  
Markt 16  
☎ +49 (0)341-30 86 89-00

**80539 Munich**  
Maximilianstrasse 35,  
Building C / Entrance  
Herzog-Rudolf-Strasse  
☎ +49 (0)89-55 23 00-60

**70173 Stuttgart**  
Breite Strasse 2  
☎ +49 (0)711-21 47 80-20

### BNP PARIBAS REAL ESTATE CONSULT GMBH

**10719 Berlin**  
Kurfürstendamm 22  
☎ +49 (0)30-884 65-200

**40213 Düsseldorf**  
Breite Strasse 22  
☎ +49 (0)211-52 00-11 90

**60311 Frankfurt am Main**  
Goetheplatz 4  
☎ +49 (0)69-298 99-450

**20354 Hamburg**  
Hohe Bleichen 12  
☎ +49 (0)40-348 48-100

**80539 Munich**  
Maximilianstrasse 35,  
Building C / Entrance  
Herzog-Rudolf-Strasse  
☎ +49 (0)89-55 23 00-0

### BNP PARIBAS REAL ESTATE INVESTMENT MANAGEMENT GERMANY GMBH

**80636 Munich**  
Lilli-Palmer-Strasse 2  
☎ +49 (0)89-121 73-0

## Worldwide locations

BELGIUM  
CZECH REPUBLIC  
FRANCE  
HONG KONG  
HUNGARY  
IRELAND  
ITALY  
LUXEMBOURG  
NETHERLANDS  
POLAND  
PORTUGAL  
ROMANIA  
SINGAPORE  
SPAIN  
UNITED ARAB EMIRATES  
UNITED KINGDOM

## Alliances

AUSTRIA  
CYPRUS  
DENMARK  
ESTONIA  
FINLAND  
GREECE  
HUNGARY  
JERSEY  
LATVIA  
LITHUANIA  
NORTHERN IRELAND  
NORWAY  
PORTUGAL  
SERBIA  
SWEDEN  
SWITZERLAND  
USA



[www.realestate.bnpparibas.de](http://www.realestate.bnpparibas.de)



TRANSACTION | CONSULTING | VALUATION | PROPERTY MANAGEMENT | INVESTMENT MANAGEMENT



**BNP PARIBAS  
REAL ESTATE**

Real Estate  
for a changing world