

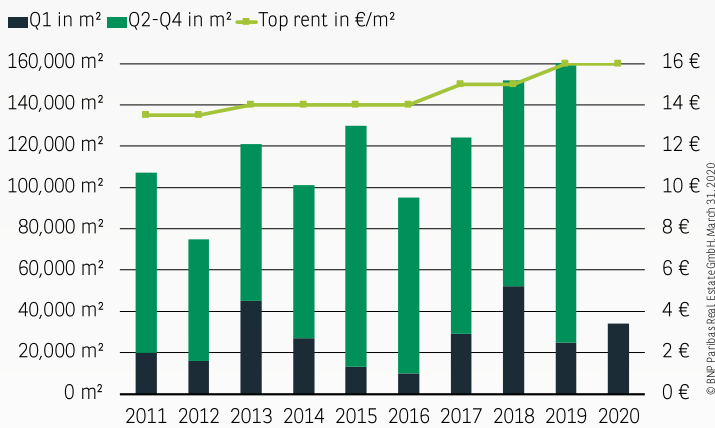


RESEARCH

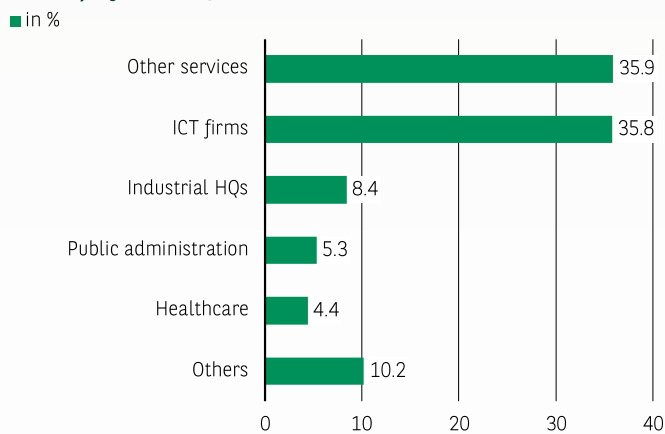
At a Glance **Q1 2020**

OFFICE MARKET ESSEN

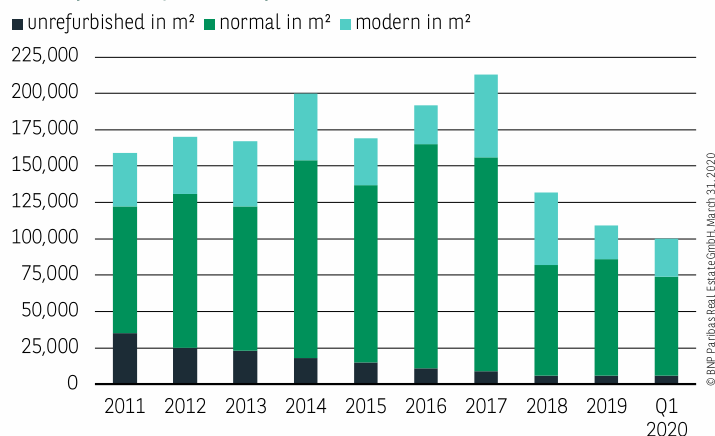
Development of take-up and top rents



Take-up by sector Q1 2020



Development of vacant space



➤ ANOTHER STRONG START INTO THE YEAR

The Essen office market reported the third-strongest start to the year in the past 10 years with a take-up of 34,000 m². With a result of just under 26% above the long-term average, the outstanding full-year result of 2019 was thus followed up directly. Since the larger contracts were negotiated several months in advance, the corona crisis has not yet had any noticeable impact on the quarterly results. However, since mid-March, it has had an impact on large parts of social and economic life, so that the usual exchange of BNP Paribas Real Estate with some owners on current market events was in some cases not possible. It cannot therefore be ruled out that the quarterly result may even be several hundred square metres higher.

➤ HEAD-TO-HEAD RACE IN THE SECTOR RANKING

In the first quarter, two sectors were mainly responsible for the strong result: with a share of just under 36% of take-up, other services took the lead in the ranking. This is partly due to the fact that the largest deal of the year to date was in this sector group. For example, TÜV Nord is currently building a campus in Kray with an area of around 10,000 m². In second place, ICT firms follow almost equally (about 36%), to which, among other factors, the deal of 7,300 m² by Opta Data Abrechnung can be attributed. Meanwhile, the administrations of industrial companies, which are actually traditionally very strong in Essen, are only in third place with a good 8%.

➤ VACANCY RATE APPROACHING 3% THRESHOLD

The constantly high take-up in the recent past has now left clear marks on the vacancy level. At present only 100,000 m² are still vacant, which corresponds to a decline of a good 19% within one year. At 3.2%, the vacancy rate is at a level as low as it was at the beginning of the millennium. Contrary to this overall trend, the highly demanded modern space vacancies increased by a good 13% to 26,000 m² in the first quarter. However, the majority of this growth is attributable to subcentres, while further declines have been recorded in the city centre or in Rüttenscheid/Bredeneid, for example.

Major contracts

Sub-market	Company	m ²
3.1	TÜV Nord	10,000
3.1	Opta Data	7,300
3.1	IT company	3,100
3.1	Industrial HQs	2,000
1.1	AllDent Zahnzentrum	1,200

Trends in important market indicators

	Q1 2019	Q1 2020	Trend remaining year
Take-up	25,000 m ²	34,000 m ²	➔
Vacant space	124,000 m ²	100,000 m ²	↗
Space under construction (total)	57,000 m ²	78,000 m ²	➔
Space under construction (available)	14,000 m ²	9,000 m ²	↗
Top rent	15.00 €/m ²	16.00 €/m ²	➔

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➤ CONSTRUCTION ACTIVITY INCREASES

With 78,000 m² there is currently considerably more space under construction than a year ago (+37%), which can be seen as a clear sign that the market is reacting to the constantly decreasing vacancies. However, due to the high pressure of demand - especially in the modern segment - a major part of this space has already been pre-let or is realised for owner-occupiers, as in the current example of TÜV Nord in Kray. Overall only 9,000 m² of the new construction volume is available to the market, and this is almost entirely concentrated on the centre fringe. While a good 8,000 m² of the available volume can be located there, the subcentres, with a good 70,000 m² under construction, account for just 1,000 m², which are not yet occupied. The situation in the city looks even more limited: No new construction projects at all are currently being undertaken here.

➤ RENT DEVELOPMENT IN THE FIRST QUARTER

Rents in the first quarter were not yet greatly affected by the Corona crisis. Not least because many contracts, especially larger ones, had been negotiated for some time and were about to be concluded. As a result, the top rent is at 16 €/m² and the average rent is at 12.60 €/m².

➤ OUTLOOK

Since large parts of the economy are suffering at least temporarily from the effects of the Corona crisis, letting requests and investments are likely to be postponed in some cases. Against this backdrop, take-up is expected to be significantly lower than in 2019, but it is not possible at present to reliably predict how strong the change will be. The same applies to the development of rents, even if significant declines are rather unlikely due to the relatively low supply situation in a long-term comparison.

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Key indicators Q1 2020

	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	Q1 2020	total	modern	of this, since completion	total	available	available	projected
Submarkets**	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 Core City		16.00	2,600	22,600	3,700	0	0	0	22,600	49,000
2 Centre Fringe	11.50 -	16.00	5,100	42,300	14,900	0	8,000	8,000	50,300	146,400
3 Subcentres	14.50		26,300	35,100	7,400	3,000	70,000	1,000	36,100	34,600
Total			34,000	100,000	26,000	3,000	78,000	9,000	109,000	230,000

* The top rent given applies to a market segment of 35 % in each case.

** The relevant office market zone can be found on our website under "Research".

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