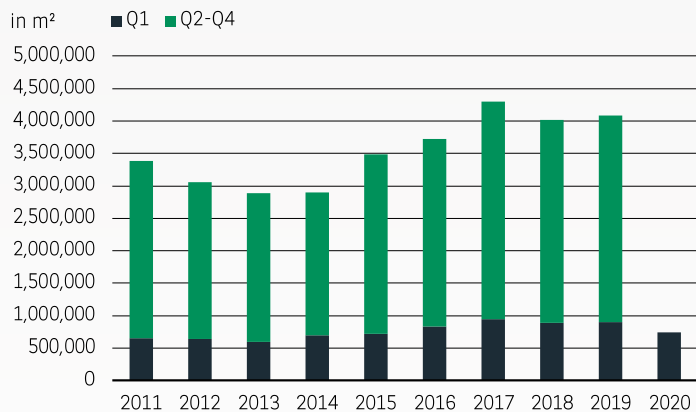




At a Glance **Q1 2020**

OFFICE MARKET GERMANY

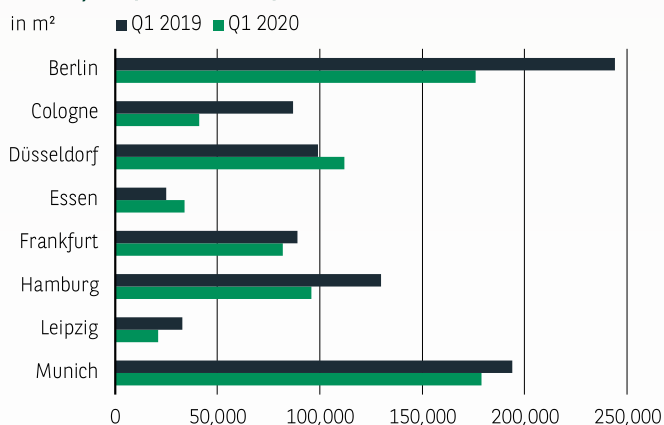
Total take-up of selected office centres*



TAKE-UP CLOSE TO THE TEN-YEAR AVERAGE

Take-up in the first quarter is more or less at the level of the ten-year average. At 741,000 m², the extraordinary result of the previous year was missed, as expected. However, the decline was more noticeable than predicted at the beginning of the year. Several reasons are responsible for this. Firstly, the figures reflect the restrained economic growth in 2019. On the other hand, the continuing lack of supply, especially in the modern market segment, plays a certain role, as not all requests can be realised at short notice. And in addition, some leases were put on hold in the last weeks of the quarter due to the Corona crisis. In contrast, the current figures for space supply and rents do not yet reflect the crisis.

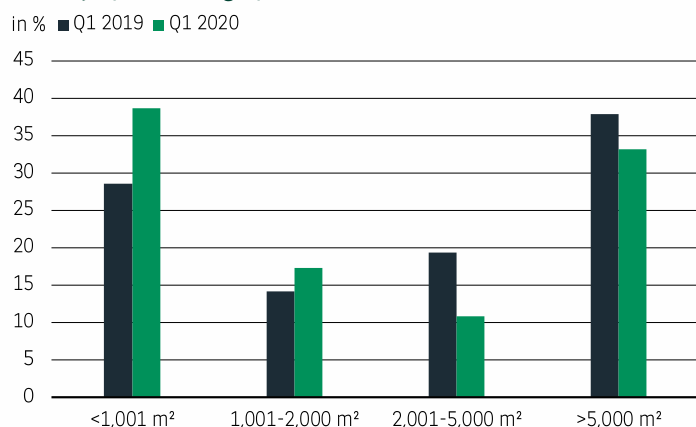
Take-up in Q1 2019 and Q1 2020



DECLINE OF TAKE-UP IN ALMOST ALL CITIES

Berlin and Munich fought a neck-and-neck race for the top position in terms of take-up, which the Bavarian capital won by a razor-thin margin. With 179,000 m² the Munich result of the previous year was missed by almost 8%. The outcome was barely lower in Berlin, where 176,000 m² were recorded. Here the take-up fell by 28% compared to the previous year's record. The situation is similar in Leipzig, where even a decline of 36% to 21,000 m² can be observed. Hamburg narrowly missed the 100,000 m² mark with a take-up of 96,000 m² (-26%). The lack of major deals affected the result in Cologne. With only 41,000 m² the previous year's figure is clearly missed. Volume in Frankfurt was comparatively stable with 82,000 m² (-8%). In the more narrowly defined gif area 76,000 m² were reported, only 4% less than in 2019. Contrary to the trend, Düsseldorf and Essen were able to increase their take-up. In the Rhine metropolis 112,000 m² represents an additional 13%. In Essen the growth by more than a third to 34,000 m² can be explained by the weak previous year.

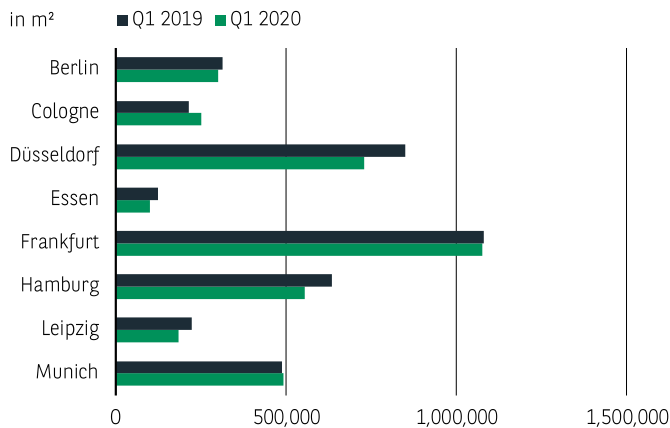
Take-up by size category



BALANCED DISTRIBUTION ACROSS SIZE CATEGORIES

The distribution of take-up by size class also suggests that the main reason for the lower outcomes in the first quarter is still to be seen in the moderate economic growth overall. Both large contracts over 5,000 m², which account for one third, and small contracts up to 1,000 m², which make up 39%, are slightly above their long-term average values. This does not indicate any major structural changes in demand. Only the segment from 2,000 to 5,000 m² has a share of 11 %, around 7 percentage points below the average value, although this is due to the snapshot of the first quarter.

Vacant space in Q1 2019 and Q1 2020



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VACANCY RATE STILL BELOW 4%

The sum of vacant space has fallen by a good 6% to less than 3.7 million m². The average vacancy rate is thus 3.9%. The situation is particularly tense in Berlin, with a rate of only 1.5%, and in Munich, with 2.3%, where the rate in the CBD has even fallen below 1%. But also in Cologne (3.1%), Essen (3.2%) and Hamburg (3.9%) the rate is below 4%. In Frankfurt, the overall rate has fallen to 7% and in the CBD to 3.6%, just as in Düsseldorf, where it is only 4.4% in the CBD. The 5% mark has also been broken in Leipzig, where it is now 4.8%.

RENTS CONTINUE UPWARD TREND

Top rents have risen significantly year-on-year. On average, they increased by almost 7%. The strongest growth was recorded in Berlin, where rents currently stand at 40 €/m² (+11%). However, Hamburg was also able to increase its top rent by a good 10% to 32 €/m². A comparable growth level was observed in Leipzig (almost 11%). Rents in Frankfurt (47 €/m²) and Essen (16 €/m²) each rose by almost 7%. A similar plus was also reported by Cologne: 26 €/m² (+8%) are currently the top rent in the cathedral city. Only in Düsseldorf (28.50 €/m²; +2%) and Munich 39.50 €/m²; +1%) the increase was lower.

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OUTLOOK

The further development is difficult to assess and depends on how quickly the corona crisis can be controlled, as the demand side is by far the biggest uncertainty. However, it seems beyond dispute that take-up is expected to be significantly lower than in 2019, although it is not yet possible to estimate how sharp the decline will be. However, noticeable drops in rents or sustained market distortions are rather unlikely from today's perspective.

Top rents in Q1 2019 and Q1 2020



Office market indicators Q1 2020

	Top rent* (€/m²)	Take-up (m²)	Vacant space (m²)				Space under construction (m²)		Space on offer (m²)	
		Q1 2020	total	modern	of this, since completion	Vacancy rate	total	available	available	projected
1	2	3	4	5	6	7	8	9	10 = (4 + 9)	11
Berlin	40.00	176,000	300,000	85,000	5,000	1.5%	1,377,000	764,000	1,064,000	3,382,000
Cologne	26.00	41,000	250,000	45,000	1,000	3.1%	140,000	47,000	297,000	472,000
Düsseldorf	28.50	112,000	728,000	147,000	7,000	7.6%	282,000	85,000	813,000	459,000
Essen	16.00	34,000	100,000	26,000	3,000	3.2%	78,000	9,000	109,000	230,000
Frankfurt	47.00	82,000	1,077,000	514,000	79,000	7.0%	715,000	289,000	1,366,000	1,251,000
Hamburg	32.00	96,000	554,000	100,000	24,000	3.9%	496,000	197,000	751,000	910,000
Leipzig	15.50	21,000	183,000	30,000	0	4.8%	76,000	24,000	207,000	190,000
Munich	39.50	179,000	493,000	105,000	31,000	2.3%	1,003,000	436,000	929,000	2,701,000
Total		741,000	3,685,000	1,052,000	150,000		4,167,000	1,851,000	5,536,000	9,595,000

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

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