

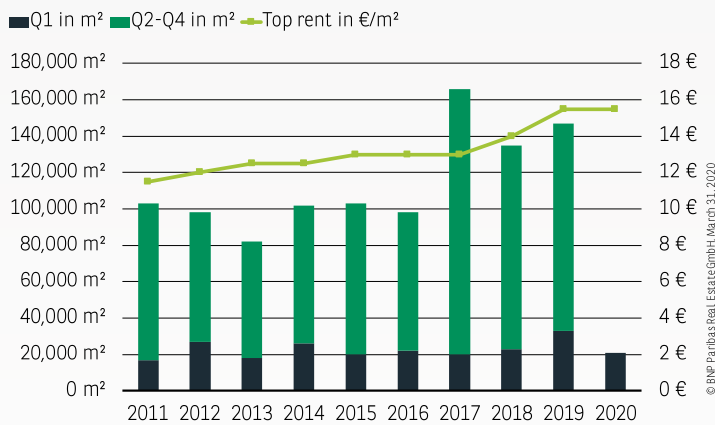


RESEARCH

At a Glance **Q1 2020**

OFFICE MARKET LEIPZIG

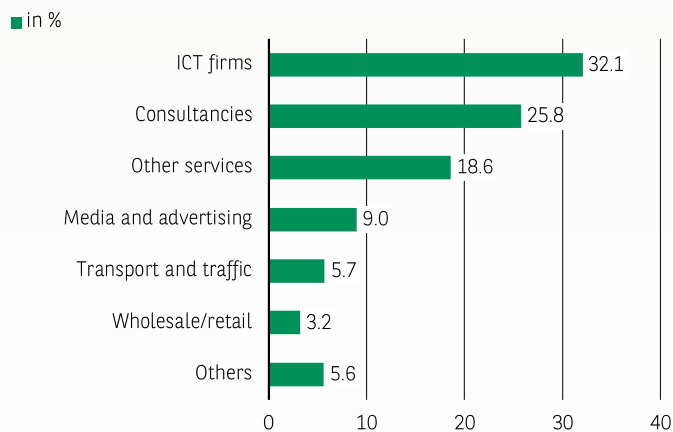
Development of take-up and top rents



▶ SLIGHTLY BELOW AVERAGE START TO THE YEAR

With a take-up of 21,000 m², Leipzig's office letting market started the new year slowly, and reached a volume slightly below the long-term average (-9%). Two factors can explain why the Saxony metropolis just missed out on the strong results of recent years. On the one hand, there is a lack of major deals with a volume of over 5,000 m², which is mainly due to the existing shortage of large modern office spaces. In the meantime, however, the top rent has reached a level of 15.50 €/m² that also allows project developments, which will probably provide urgently needed space with modern quality in the next few years. On the other hand, traditionally strong demand groups (e.g. public administration) have not yet become active on the market. At this point in time, it is not yet possible to conclusively assess what influence the Corona crisis will have on the further development of the Leipzig office market.

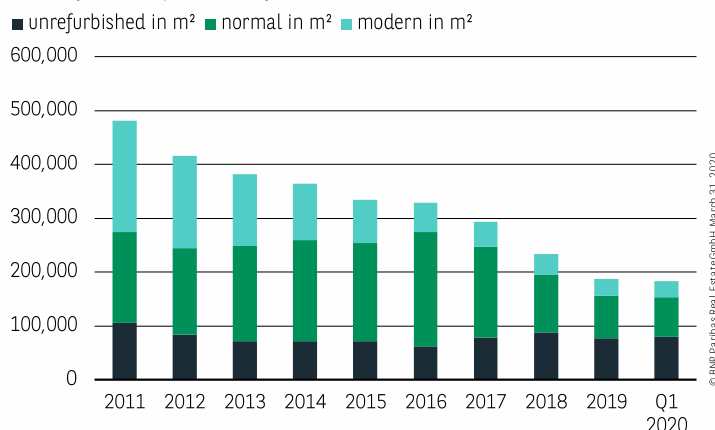
Take-up by sector Q1 2020



▶ TECH SECTOR ACHIEVES REKORD RESULT

The national trend of increasing importance of the ICT sector in the German office markets is now also impressively demonstrated in Leipzig. With a 32% share of take-up, this sector is clearly at the top of the industry distribution and also achieves the highest value in the last ten years. The sector benefited in particular from the Appsfactory deal (1,700 m²) in the Ringlage sub-market. The consultancies took second place with a share of just under 26%, which also represents an above-average result. The last place on the podium is occupied by the category of other services (19%). It is also worth mentioning that the traditionally strong public administration has not yet participated significantly in the market.

Development of vacant space



▶ VACANCY RATE ONLY 4.8%

The past three years of high take-up on the Leipzig office market have left a clear mark on the level of vacancies: With 183,000 m² of vacant space, the first quarter of the year has once again reached a historic low. Compared to the same quarter of the previous year, the vacant space has thus dropped by another 18%, which is also reflected in a declining vacancy rate (4.8%). In relation to the segment of modern space, which is in particularly high demand by companies, Leipzig even has the lowest share of total vacancies (only about 16%) compared to the other largest German office letting markets.

Major contracts

Sub-market	Company	m ²
2.1	Appsfactory	1,700
3.2	Communication Concept Gesellschaft für Kommunikat	1,600
1.1	Consultancy	1,300
2.1	Unknown	1,200
1.1	publity	900

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➤ CONSTRUCTION ACTIVITY REMAINS AT A CONSTANT LEVEL

Despite the vacancy development, no increase in construction activity can be recorded in the Leipzig market area. As in the previous year, 76,000 m² of office space is under construction, of which only just under a third is still available to the letting market. However, a closer look at the total projected space, which has risen by an impressive 34% compared to the end of last year, suggests that construction activity will increase in the near future. The focus in the development of new offices is currently on the outskirts of the city, whereas in the city centre there is currently no space under construction or planned on a larger scale due to a lack of development sites.

➤ 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 15.50 €/m². and the average rent is at 11.10 €/m².

Trends in important market indicators

	Q1 2019	Q1 2020	Trend remaining year
Take-up	33,000 m ²	21,000 m ²	➔
Vacant space	222,000 m ²	183,000 m ²	➔
Space under construction (total)	76,000 m ²	76,000 m ²	➔
Space under construction (available)	7,000 m ²	24,000 m ²	➔
Top rent	14.00 €/m ²	15.50 €/m ²	➔

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➤ 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.

Key indicators Q1 2020

Submarkets**	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
	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre	15.50		5,400	17,900	5,500	0	0	0	17,900	1,500
2 Centre Fringe/ Centre Relief Area	9.70 - 14.20		8,200	44,100	7,100	0	44,500	20,500	64,600	48,200
3 Subcentres	8.10 - 11.40		5,600	102,400	13,800	0	25,500	3,500	105,900	117,300
4 Periphery	7.80 - 7.90		1,800	18,600	3,600	0	6,000	0	18,600	23,000
Total			21,000	183,000	30,000	0	76,000	24,000	207,000	190,000

* 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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