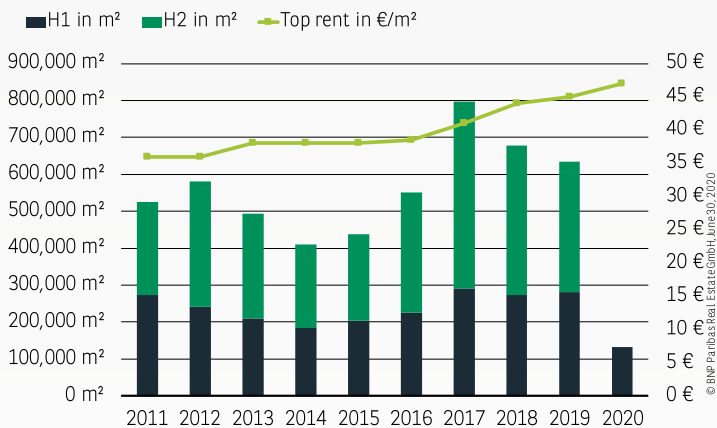




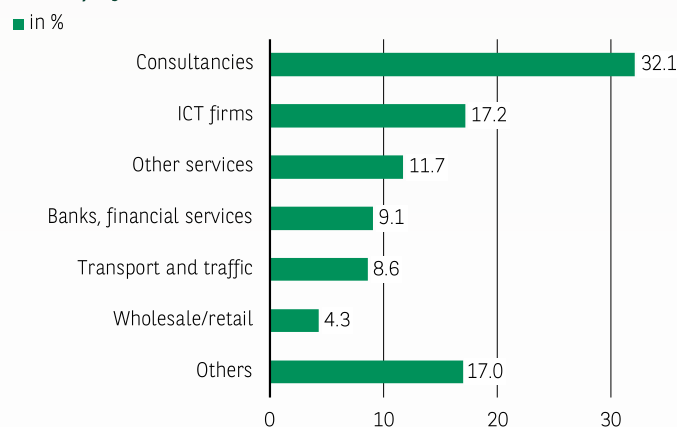
At a Glance **Q2 2020**

OFFICE MARKET FRANKFURT

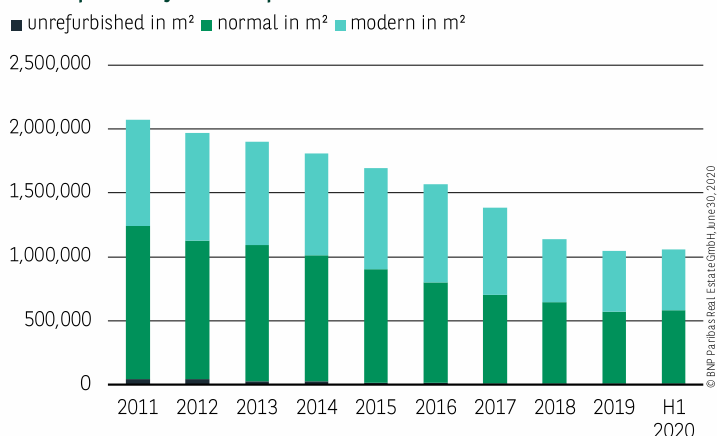
Development of take-up and top rents



Take-up by sector H1 2020



Development of vacant space



WEAK FIRST HALF-YEAR - CORONA EFFECT NOTICEABLE

With 133,000 m² the Frankfurt office market recorded a very low take-up in the first six months of the year, which at the same time represents the weakest result of the last 20 years. Even in the more narrowly defined gif area, take-up of 122,000 m² was more than 50 % down compared to last year. Only Hamburg recorded a similarly significant decline in a nationwide comparison. The second quarter in particular, with a result of 51,000 m², fell well short of the usual figures. Following the sharp rise in the number of infections, the nationwide lockdown with a ban on contact as well as the looming recession in 2020, many companies in Frankfurt, as in all other locations, have either put their planned lettings on hold for an indefinite period of time or, which is predominantly the case, postponed them. In addition, there is an unusually low proportion of large leases of over 10,000 m², which at 11% is only half the long-term average. So far, only the lease of Freshfields Bruckhaus Deringer for 14,500 m² in the banking district has been registered in this market segment.

UNUSUAL SECTOR DISTRIBUTION

Frankfurt's leading sector of banks and financial service providers, which on average accounts for more than a fifth of take-up, only achieved 9% in the first half of the year and thus only ranked fourth. However, there are already signs that this share will increase in the course of the year. On the other hand, consulting companies, headed by the Freshfields deal, have taken the lead, accounting for almost a third of the outcome. In second place come ICT companies with a good 17%. The podium is completed by the group of other services, which represents almost 12%.

VACANCIES STABLE DESPITE WEAK DEMAND

The good news is that the volume of vacant space hardly changed in the second quarter despite the very weak demand due to the Corona crises. Since the beginning of 2020 the total volume has increased by only 1% to just under 1.06 million m². In the sub-segment of vacancies with modern space quality, which is in strong demand, the supply is even stable at 479,000 m². Thus, only 45% of the total vacant space have the quality preferred by users. This completely different supply situation compared to the financial crisis is also reflected in the further decline in the vacancy rate to 6.9%. In the gif area it is 6.6%, and in the CBD, which is particularly in demand, only 2.8%.

Major contracts

Sub-market	Company	m²
1.1	Freshfields Bruckhaus Deringer	14,500
1.1	Google Germany	4,600
3.2	Schwab Versand	3,800
1.1	Patrizia	3,200
1.2	Natixis Pfandbriefbank	3,100
4.6	DB Energie	2,900

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Trends in important market indicators

	H1 2019	H1 2020	Trend remaining year
Take-up	281,000 m²	133,000 m²	↗
Vacant space	1,094,000 m²	1,060,000 m²	→
Space under construction (total)	638,000 m²	715,000 m²	→
Space under construction (available)	318,000 m²	290,000 m²	↘
Top rent	44.00 €/m²	47.00 €/m²	→

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Key indicators H1 2020

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	H1 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 Banking District	47.00		27,100	50,200	50,200	21,000	148,300	87,500	137,700	24,000
1.2 Westend	41.00		8,600	46,400	25,500	4,800	9,000	3,700	50,100	3,300
1.3 Inner City	37.00		22,500	87,100	60,100	11,300	205,800	63,400	150,500	79,600
1.4 Central Station	24.00		4,600	11,400	1,400	0	50,000	0	11,400	29,000
2 Centre Fringe	20.00 - 23.00		19,200	88,800	47,500	6,900	18,200	13,100	101,900	74,900
3 City Fringe	13.00 - 20.00		14,900	86,600	11,200	1,500	7,300	6,000	92,600	31,400
4 Subcentres	12.00 - 24.00		27,100	457,500	226,100	41,900	230,400	97,300	554,800	464,800
Total Frankfurt			124,000	828,000	422,000	87,400	669,000	271,000	1,099,000	707,000
5 Periphery	12.50 - 17.00		9,000	232,000	57,000	1,000	46,000	19,000	251,000	542,000
Total			133,000	1,060,000	479,000	88,400	715,000	290,000	1,350,000	1,249,000
N. B. gif market area			122,000	748,000	391,000	84,300	669,000	271,000	1,019,000	667,000

* 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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➤ CONTINUING HIGH PROPORTION OF PRE-LETTING

The significant increase in construction activity in recent years has become stable. Although it rose slightly by 8% to 715,000 m² in the first half of the year, it remained unchanged in the second quarter. The situation is similar for the space still available to the letting market, which has increased by only 3% since the beginning of 2020. At the same time, it should be noted that around 60% of the construction volume is already pre-let or occupied by owner-occupiers.

➤ NO CHANGE IN RENT LEVELS

Despite the noticeable decline in demand, rental price levels are stable due to the continuing low supply. The top rent is therefore still 47 €/m² and the average rent of 20.70 €/m² is at a comparable level to the first quarter.

➤ OUTLOOK

Although the effects of the lockdown and the foreseeable recession will continue to be noticeable in the second half of the year, there are now signs of a steady return to normal. Thus, a pick-up in demand is also becoming apparent, as evidenced by various major deals signed at the beginning of July. Nevertheless, a noticeably weaker result than in 2019 is expected for the year as a whole. Since supply is likely to remain at a low level despite a slight increase in vacancies, rents are expected to remain stable over the next few quarters.

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