

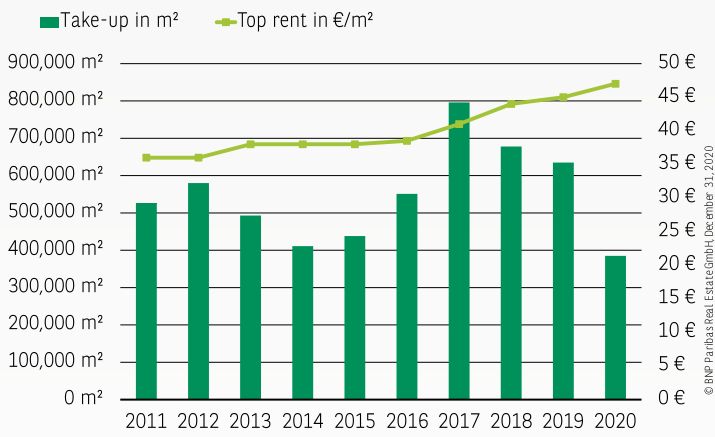


RESEARCH

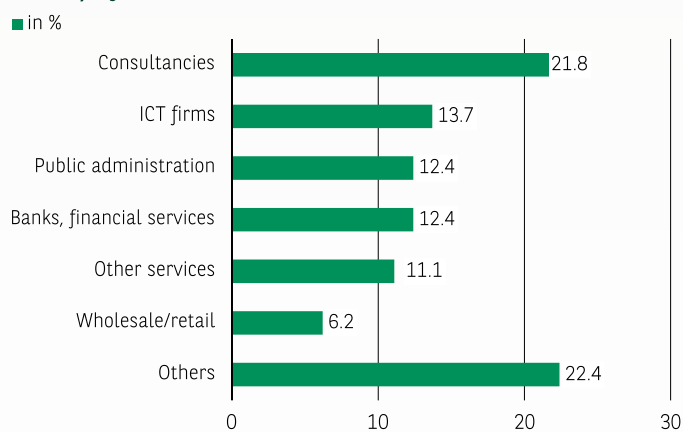
At a Glance **Q4 2020**

OFFICE MARKET FRANKFURT

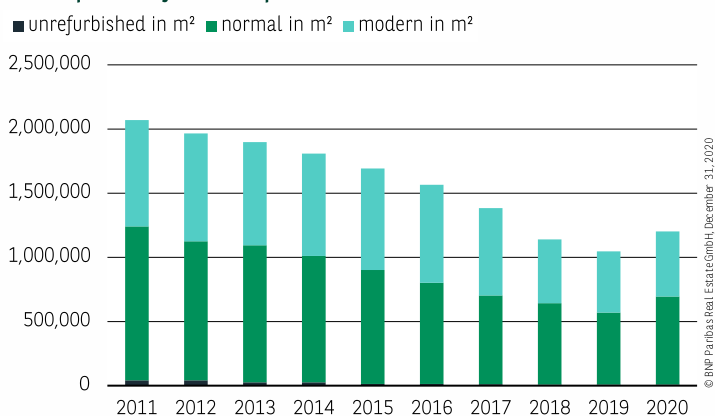
Development of take-up and top rents



Take-up by sector 2020



Development of vacant space



WEAKEST RENTAL ACTIVITY IN YEARS

The Corona pandemic has also affected the Frankfurt office market. With a result of 385,000 m² in the entire market area, the lowest take-up for years has been registered. The more narrowly defined gif area accounted for 339,000 m² of this. With a drop of a good 39% compared to 2019, Frankfurt is one of the locations most affected by the current crisis, just behind Düsseldorf (-49%). In addition to the macroeconomic challenges, which had a noticeable effect on take-up in all cities, developments in the banking sector have also had an impact in Frankfurt. In addition to restructuring processes in this sector, there was also the uncertain Brexit outcome, which remained open until the end of the year. Although Brexit may offer opportunities for the banking metropolis in the medium term, there was no real planning certainty for banks and financial service providers, especially in 2020. It is therefore not surprising that this sector group in particular has temporarily held back on further leasing plans in the past year. The take-up by this sector was therefore correspondingly low, especially in a long-term comparison, thus it is accountable for a significant part of the weaker result in Frankfurt.

CONSULTANCIES WITH GOOD RESULTS

With a take-up of around 84,000 m², consultancies have performed well. They were able to repeat their previous year's result and the outcome is in line with the long-term average (10-year average: 86,000 m²). With a share of just under 22% they were a main pillar of the market, followed by the important ICT firms. At just under 53,000 m² (-13% compared to 2019), take-up of this sector is within reach of the 10-year average of around 57,000 m². However, the market was characterised by the weak performance of banks and financial service providers considering Frankfurt's standards. As expected, the excellent result of the previous year could not be matched (-71%). Furthermore, with a take-up of around 48,000 m² in 2020, the ten-year average of 113,000 m² also remained well out of reach.

VACANCY RISES, BUT REMAINS AT A MODERATE LEVEL

The volume of vacant space rose by just under 15% to 1.2 million m² in the market area in the course of 2020. However, only 42% of this has a fit-out of modern standard. The vacancy rate for the market as a whole is currently 7.8%, which is still a low figure for Frankfurt by long-term standards. In the central CBD locations, the vacancy rate of 4.6% is still below the fluctuation reserve.

Major contracts

Sub-market	Company	m ²
4.6	Samsung Electronics	17,500
4.1	LBiH - Land Hessen Polizeirevier	17,000
1.1	DekaBank Deutsche Girozentrale	16,000
1.1	Freshfields Bruckhaus Deringer	14,500
2.1	Frankfurt University of Applied Sciences	10,300
4.6	Mobis Parts Europe	9,500

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Trends in important market indicators

	2019	2020	Trend 2021
Take-up	635,000 m ²	385,000 m ²	↗
Vacant space	1,047,000 m ²	1,202,000 m ²	↘
Space under construction (total)	660,000 m ²	616,000 m ²	↘
Space under construction (available)	282,000 m ²	285,000 m ²	↘
Top rent	45.00 €/m ²	47.00 €/m ²	↗

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Key indicators 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	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		74,000	41,800	41,500	13,300	147,600	62,000	103,800	9,000
1.2 Westend	42.00		28,100	54,700	30,100	4,200	19,000	19,000	73,700	3,400
1.3 Inner City	37.00		46,800	108,300	69,200	3,600	172,500	82,500	190,800	173,600
1.4 Central Station	24.50		5,400	25,100	9,800	0	0	0	25,100	38,400
2 Centre Fringe	20.00 - 23.00		50,800	136,200	63,900	11,300	29,200	23,600	159,800	67,700
3 City Fringe	13.00 - 19.00		26,500	133,800	12,700	2,000	0	0	133,800	35,700
4 Subcentres	12.00 - 24.00		119,400	436,100	212,800	43,600	198,700	77,900	514,000	535,200
Total Frankfurt			351,000	936,000	440,000	78,000	567,000	265,000	1,201,000	863,000
5 Periphery	12.50 - 17.00		34,000	266,000	67,000	1,000	49,000	20,000	286,000	569,000
Total			385,000	1,202,000	507,000	79,000	616,000	285,000	1,487,000	1,432,000
N. B. gijf market area			339,000	851,000	406,000	76,000	567,000	265,000	1,116,000	822,000

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

 ** The office market zone map and the key indicator table at submarket level can be found under the following link: [Office market zone map and key indicator table 2020](#)

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MODERATE DECLINE IN CONSTRUCTION ACTIVITY

Compared to the previous year, the construction volume has declined by just under 7% to currently 616,000 m². Although a relatively high completion volume of around 257,000 m² is on the horizon for 2021, around 79% of this space is already pre-let. The supply side will therefore only be burdened to a very limited extent by new construction space coming onto the market. Since the second lockdown, which is still ongoing, is likely to affect demand nationwide in the first half of the year, the high pre-letting volume is to be seen as positive. Overall, around 54% of all space under construction is available to the market.

TOP AND AVERAGE RENTS INCREASED

The ongoing scarcity of high-quality space in combination with the traditionally above-average demand for this type of space in Frankfurt caused the top rent to rise by 4.4% to 47.00 €/m² over the course of the year. The average rent also showed a year-on-year increase of 4.5% to 20.80 €/m².

OUTLOOK

The Corona pandemic will remain dominant in 2021 for the time being. The unchanged high infection figures and the extension of the second lockdown are likely to have a strong dampening effect on the first half of the year. However, the rising vaccination rate will lead to a sustained improvement in public mood and bring more certainty into the decision-making processes. For the second half of the year, we expect a noticeable recovery of demand and eventually a take-up clearly above the previous year's level.