

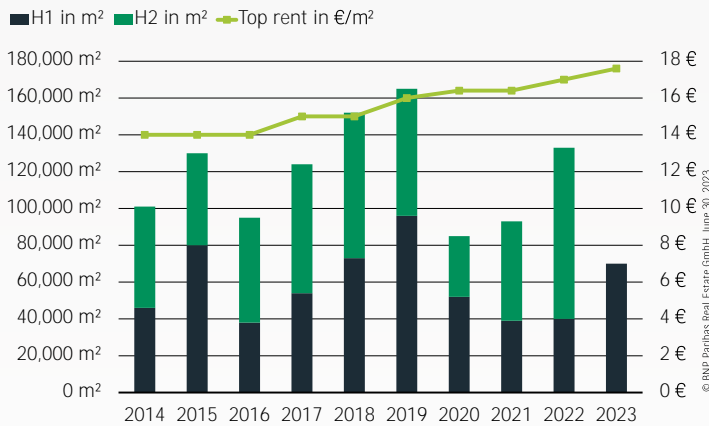


RESEARCH

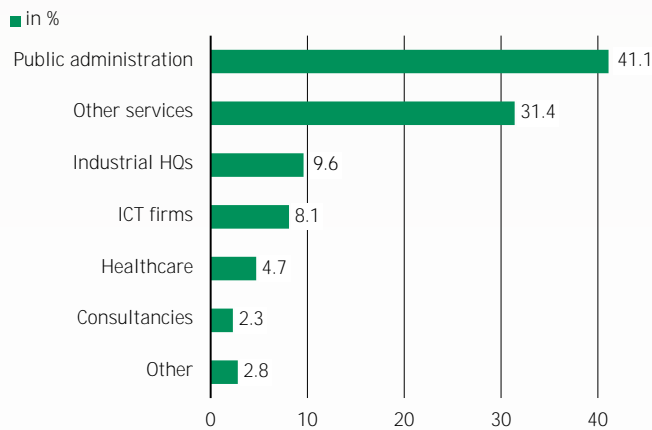
At a Glance **Q2 2023**

OFFICE MARKET ESSEN

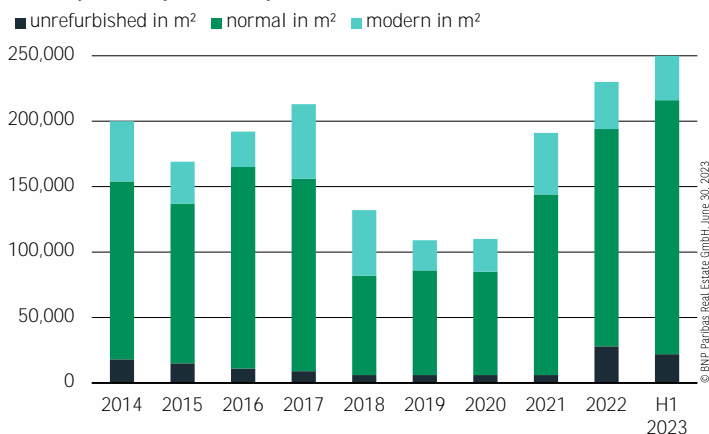
Development of take-up and top rents



Take-up by sector H1 2023



Development of vacant space



MARKET DYNAMICS RISE SIGNIFICANTLY IN Q2 2023

While market dynamics on the Essen office rental market were subdued in the first half of the two previous years, a clearly above-average result was achieved in the six months despite the current economic uncertainties. With a take-up of 70,000 m², both the previous year's result was exceeded by a considerable 75% and the long-term average by around 19%. After the restrained start of the year (19,000 m²), the result of the second quarter with 51,000 m² marks the strongest since Q2 2019 and clearly stands out in a nationwide comparison. Finally, several major deals have contributed to the high take-up. The biggest contract of the year so far is the letting of 16,000 m² by the City of Essen in the submarket Südviertel. Other notable deals are the letting by E.ON for more than 9,900 m² and the owner-occupier letting by FOM with about 8,200 m² in the centre fringe. This means almost 57% of the Q2 result can be attributed to lettings above the 5,000 m² mark.

MAJOR CONTRACT DOMINATES SECTOR DISTRIBUTION

Public administration leads the sector distribution, due to two major deals by the City of Essen with a share of around 41% of the volume. The category other services, which did not register any lettings in Q1, has been very active in the past three months and accounts for almost a third of the cumulative take-up in the first half of the year. With currently 22,000 m², the sector exceeded the long-term average by around 71%. The administrations of industrial companies, which is usually strongly represented in Essen, are still comparatively restrained, and only contribute around 10% to the result. Finally, ICT firms are attributable for around 8% of take-up.

LOW VACANCY VOLUME IN THE MODERN SEGMENT

The increase in vacancies, which began with the corona pandemic continued in the second quarter of 2023. The volume of space available at short notice in the Essen market has risen to 250,000 m², which corresponds to an increase of a good 9% compared to the end of 2022. The vacancy rate is currently at 7.9%. Of the modern spaces that are particularly in demand, 34,000 m² are vacant at the end of the year, a good 6% less than six months ago. Only 1,900 m² of this space is located in the City Centre. The supply of modern space in attractive locations is therefore still scarce.

Major contracts

Sub-market	Company	m ²
2.3	City of Essen	16,000
2.2	E.ON	9,900
2.2	FOM	8,200
2.2	RWE	5,600
3.1	City of Essen	3,900
1.1	Wohnungsgenossenschaft Essen Nord	2,200

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Trends in important market indicators

	H1 2022	H1 2023	Trend remaining year
Take-up	40,000 m ²	70,000 m ²	↗
Vacant space	219,000 m ²	250,000 m ²	↗
Space under construction (total)	33,000 m ²	48,000 m ²	↘
Space under construction (available)	10,000 m ²	8,000 m ²	↘
Top rent	16.50 €/m ²	17.60 €/m ²	↗

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PRE-LETTING RATE AT A HIGH SHARE OF 83%

Compared to the same time last year, the volume of office space under construction has increased significantly by 45.5%. Thereof 48,000 m² are currently under construction. Of this, 8,000 m² has not yet been pre-let or occupied by owner-occupiers and is therefore available to the market. The pre-letting rate has increased accordingly to a high 83%. Most of these spaces will not be completed until 2024. The predicted completion volume for 2024 marks currently at 13,600 m² and 12,900 m² in the following year. Due to the sharp rise in construction costs and the currently cautious attitude of many project developers, a significant increase in construction activity is not to be expected now, which could further boost the lack of prime office space in the medium term.

PRIME RENT ON UPWARD TREND

Also driven by the lack of supply of modern space, the prime rent has risen by around 7% to currently 17.60 €/m² compared to the same period last year and is no longer achieved in the City Centre but in the submarket Südviertel. Of note is the increase of 3.5% compared to the previous quarter. Meanwhile, the average rent has risen slightly by 10 cents to now 12.60 €/m² in the year to date.

OUTLOOK

The fact that the Essen office market, despite the economic uncertainties, showed above-average momentum again in the second quarter gives cause for optimism in the coming months. Although it cannot be ruled out that the vacancy rate will continue to rise slightly in the short term due to structural changes in demand, the currently declining construction activity suggests that this trend will reverse again in the medium term. The rental level is likely to rise further in line with the low supply of modern space in attractive locations.

Key indicators H1 2023

	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	H1 2022	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		17.00	6,000	42,700	1,900	0	20,000	8,000	50,700	37,500
2 Centre Fringe	13.00	- 17.60	52,000	98,300	6,100	0	9,900	0	98,300	146,700
3 Subcentres	16.50		12,000	109,000	26,000	0	18,100	0	109,000	28,800
Total			70,000	250,000	34,000	0	48,000	8,000	258,000	213,000

* The top rent given applies to a market segment of 3-5 % in each case.

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

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