

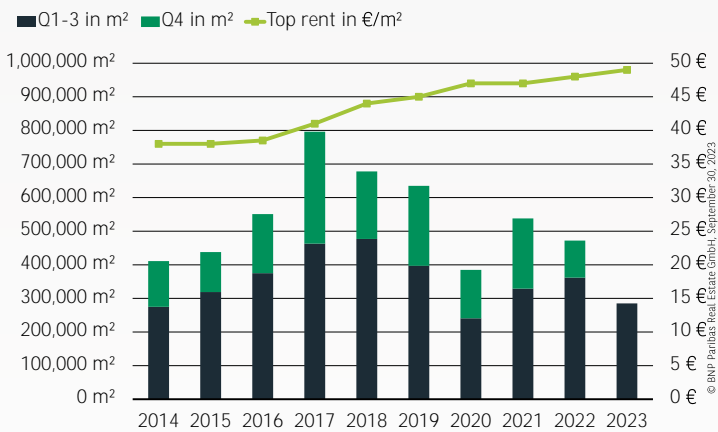


RESEARCH

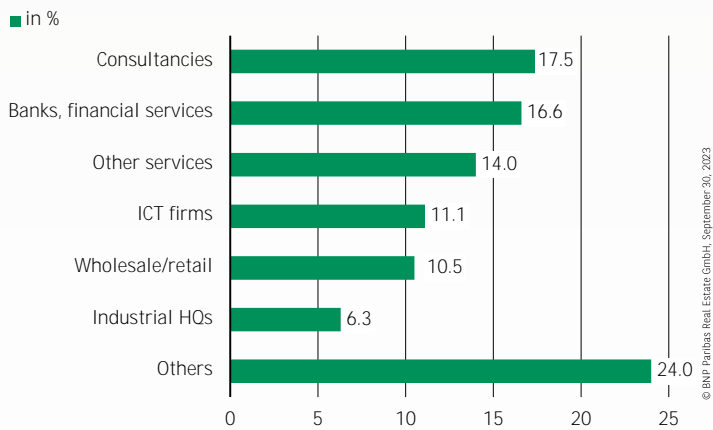
At a Glance **Q3 2023**

OFFICE MARKET FRANKFURT

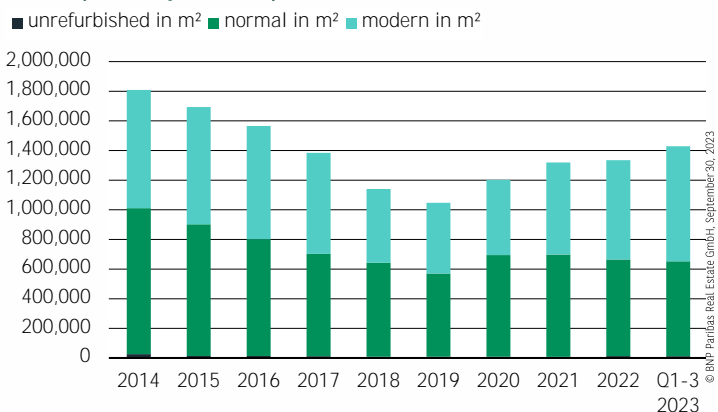
Development of take-up and top rents



Take-up by sector Q1-3 2023



Development of vacant space



STABLE MARKET DEVELOPMENT OVER THE COURSE OF YEAR

The Frankfurt office market presents itself as very stable in the current year 2023, despite the increasing headwinds due to the sluggish economic development. Take-up of 285,000 m² (259,000 m² in the gif market area) is noted for the first three quarters, of which 95,000 m² is attributable to the third quarter. As in the other major office markets, letting activity has recently been below average, which is mainly due to the lack of large deals >10,000 m². In Frankfurt, for example, only one letting of approx. 12,400 m² was concluded in this size category in the first three quarters. In economically challenging times, large users in particular, who generally need a longer time horizon to consider, have longer decision-making paths, which lead to a corresponding delay. The trend towards new workplace concepts as well as the battle for the most qualified workers are nevertheless drivers of demand, which is why there are currently a number of large-scale searches on the market that could have a positive impact on letting figures. So far, the 10-year average in Frankfurt has been missed by around 19% and the good result of the previous year by 21%.

FRANKFURT'S LEADING SECTORS SET THE PACE

Frankfurt's leading sectors are setting the pace on the office market even in these challenging times. Consulting companies and banks/financial service providers each account for just under 50,000 m² of take-up. Their letting activities are a particularly impressive reflection of the trend towards premium space: 39% of the space rented by banks represents new-build, or first-time-occupancy standard. ICT firms account for a market volume of just over 11%, which is only slightly below average.

NO NEW-BUILD VACANCY IN TOP-LOCATIONS

The rise in vacancies continued in the third quarter. Currently, around 1.4 million m² of office space is available for short-term rental, which corresponds to a vacancy rate of 9.2%. This is a level that is not unusually high for the Frankfurt market. Noteworthy is the lack of new-build, first-time-occupier space in Frankfurt's prime locations of Banking District and Westend as well as the general shortage of such space in the market area as a whole. Only 51,000 m² is available in the short term in this quality segment. High-quality vacant space is also rare in Frankfurt's decentralized locations, where a large proportion of the vacancy is concentrated, totaling around 900,000 m². Only 4% of the vacancy volume is located in the centre fringe, subcentres and peripheral locations.

Major contracts

Sub-market	Company	m ²
4.7	Wholesale/retail	12,400
1.3	Universal Investment	9,600
3.4	LBIH Wiesbaden	9,100
4.4	Eintracht Frankfurt	8,800
1.3	Massif Central Projektgesellschaft	5,800
4.6	LG ELECTRONICS Vehicle Components Europe	5,500

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Trends in important market indicators

	Q1-3 2022	Q1-3 2023	Trend remaining year
Take-up	362,000 m ²	285,000 m ²	↗
Vacant space	1,342,000 m ²	1,429,000 m ²	→
Space under construction (total)	678,000 m ²	723,000 m ²	↘
Space under construction (available)	416,000 m ²	478,000 m ²	↘
Top rent	48.00 €/m ²	49.00 €/m ²	↗

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➤ CONSTRUCTION VOLUME REMAINS HIGH

With 723,000 m² under construction, construction activity in Frankfurt remains at a very high level despite the challenging conditions. Although there was a slight decline compared with the previous quarter, the construction volume is almost 7% higher than in the previous year, which impressively demonstrates the basic confidence of developers in the financial metropolis. Although the pre-letting rate in the market area is only 35%, it is significantly higher in the prime locations.

➤ PRIME RENT RISES TO 49 €/M²

The strong demand for premium space resulted in an increase in the prime rent by 1.00 €/m² to now 49.00 €/m² in Q3. There are already isolated deals >50 €/m², but due to their overall size those do not yet determine the prime rent. The average rent is traditionally more volatile. After the increase in Q2, there is now a slight decline to 22.80 €/m².

➤ OUTLOOK

The Frankfurt office market is heading for an annual result of 450,000 m². The result would thus be below the previous year's level, however, there are various major deals in the pipeline which should contribute to a brightening of the mood in the market not only at the end of the year but also beyond it. The high demand in the premium segment, which is typical for Frankfurt, should lead to further increases in prime rents.

Key indicators Q1-3 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	Q1-3 2023	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 Banking District	49.00		32,000	85,100	82,800	0	164,600	95,800	180,900	52,900
1.2 Westend	46.00		16,300	45,900	28,700	0	3,200	3,200	49,100	50,600
1.3 Inner City	43.00		73,200	240,000	165,100	13,400	72,100	29,500	269,500	101,500
1.4 Central Station	27.00		10,300	21,900	5,800	0	25,000	0	21,900	21,200
2 Centre Fringe	23.00 - 25.00		31,900	135,600	84,600	1,500	78,200	71,400	207,000	0
3 City Fringe	16.00 - 19.00		24,800	127,800	57,700	0	120,200	116,200	244,000	4,300
4 Subcentres	12.50 - 28.00		79,500	492,700	269,300	35,100	201,700	122,900	618,600	93,500
Total Frankfurt			268,000	1,149,000	694,000	50,000	665,000	439,000	1,591,000	324,000
5 Periphery	14.50 - 20.00		17,000	280,000	82,000	1,000	58,000	39,000	319,000	262,000
Total			285,000	1,429,000	776,000	51,000	723,000	478,000	1,910,000	586,000
N. B. gif market area			258,000	1,062,000	659,000	50,000	649,000	423,000	1,485,000	312,000

* 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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