GERMANY

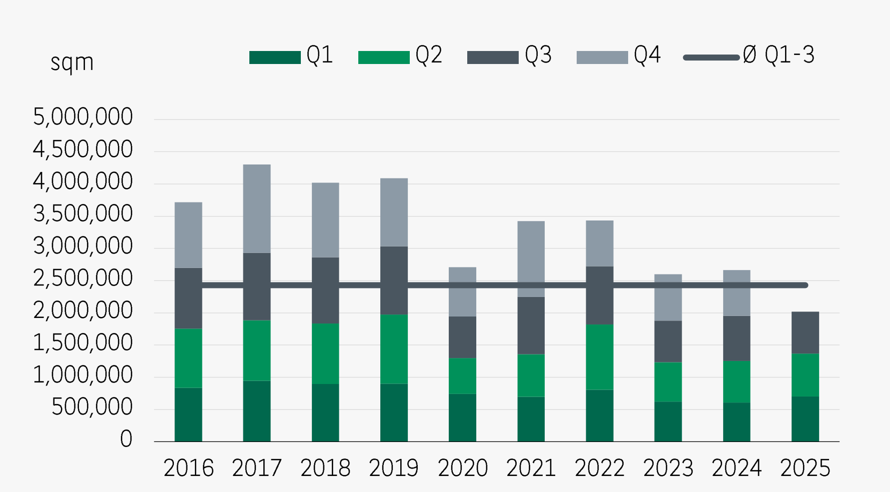
REPORT OFFICE MARKET

Q1-3 2025

BNP PARIBAS REAL ESTATE

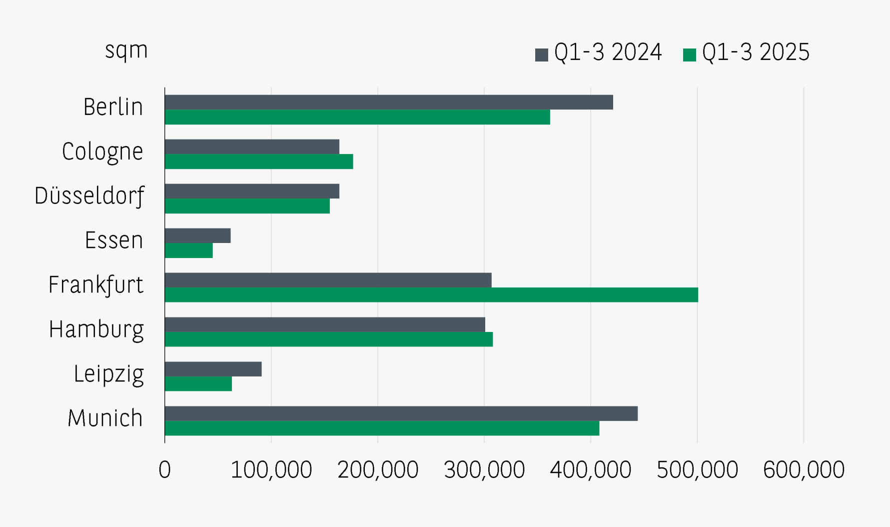
REAL ESTATE for a changing world

Total take-up of selected office centres*



* Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig, Munich

Take-up in Q1-3 2024 and Q1-3 2025



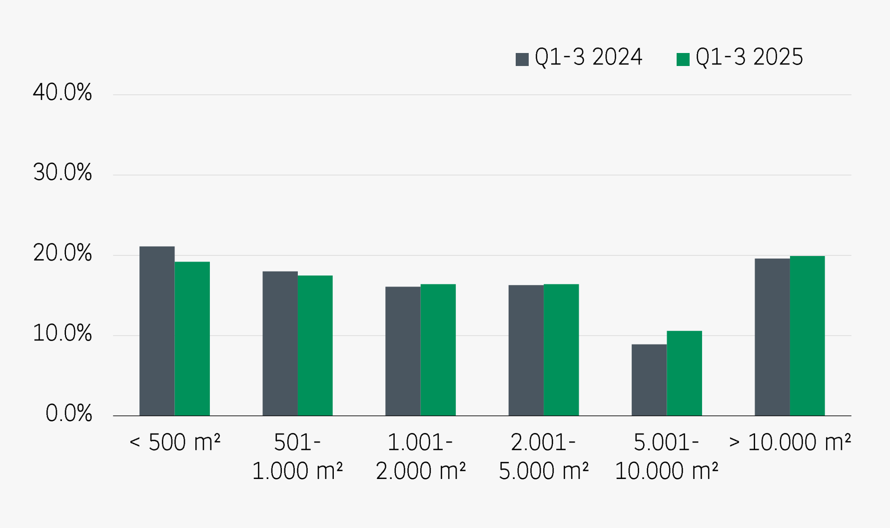
POSITIVE SIGNS FOR GERMANY'S OFFICE MARKETS: TAKE-UP UP A GOOD 3% ON PREVIOUS YEAR'S LEVEL

- At the end of the third quarter, office take-up in Germany's most important office markets — Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig and Munich — amounted to 2.0 million sqm. This figure is 3.4% higher than last year's, and a direct quarterly comparison highlights the stable market activity despite the ongoing weak economic environment. There has recently been positive momentum from the important mid-sized segment, which has seen a significant and sustained increase in letting activity in recent months following a long period of stagnation. While the market for small spaces remains dynamic, the rapid pace of large transactions seen at the beginning of the year has not been maintained.

- By the end of the third quarter, the Frankfurt office market recorded 501,000 sqm of office take-up, which was a 63% increase on the previous year and set a new record for the city. The Frankfurt market is the most dynamic in Germany and attracts attention every quarter with large deals. The Munich office market is also performing well in terms of large deals. A total of five such deals had been registered by the end of September. Together, these deals contributed around 88,000 sqm to the current take-up of 408,000 sqm, which was only 8% below the strong result achieved in the same period last year.

- Large deals are still making a difference in the current market. In Berlin only one contract for 10,000 sqm has been registered for 2025. The letting activity in small and medium-sized spaces can't compensate this. At the end of September, office take-up was only at 362,000 sqm (– 14% below last year).

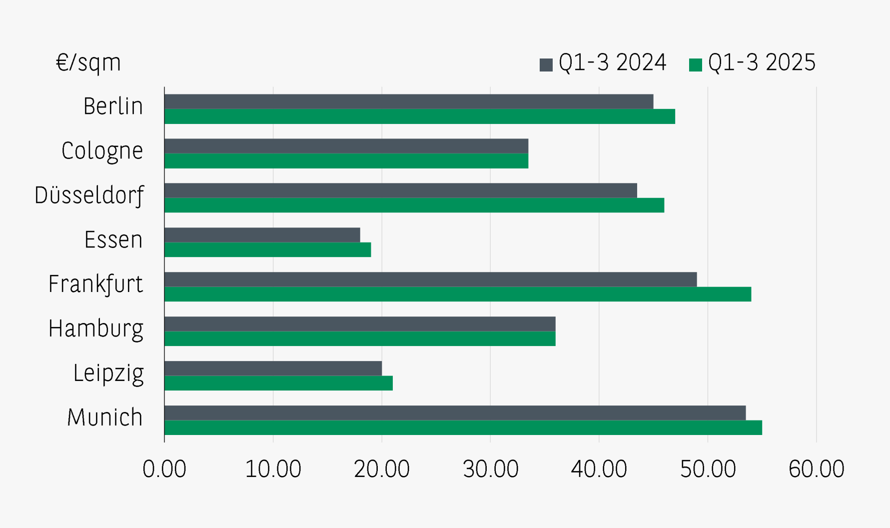
Take-up by size category



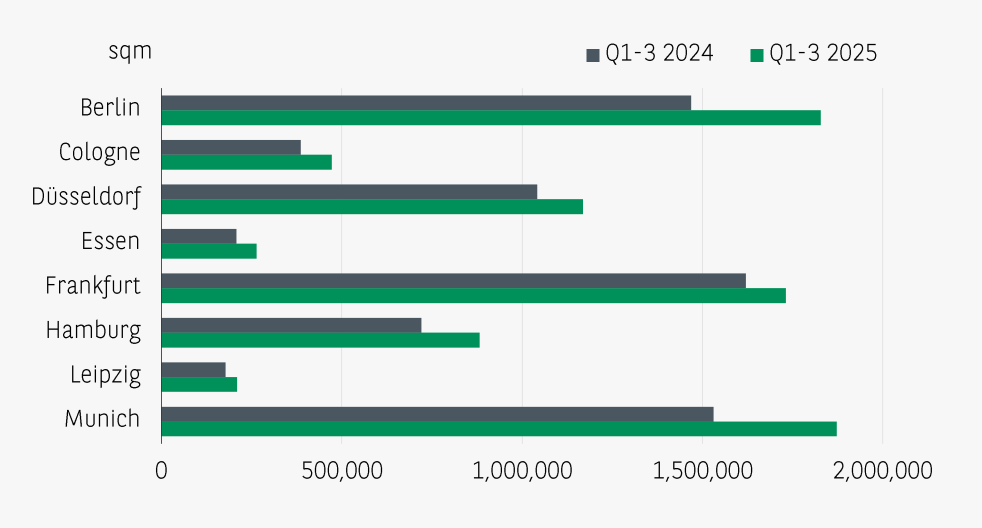
VACANCY RISES ONLY MODERATELY TO 8.43 MILLION SQM

- Although the rise in vacancy is slowing, German office markets still reported an increase of around 18% to 8.43 million sqm compared with the previous year. In a direct quarterly comparison, however, the increase in prime locations was only 1.5%. The lowest vacancy rates are registered in Leipzig (5.2%), Cologne and Hamburg (both 6.0%). It now stands at 8.4% in Berlin, 8.2% in Essen and 8.1% in Munich. In Frankfurt and Düsseldorf, the vacancy rate fell very moderately in the third quarter, reaching 11.1% and 11.7%, respectively.
- Excess demand for the very best office spaces continues to push prime rents up. This also applies to Berlin, despite the comparatively high vacancy and low pre-letting rate in the market area. Consequently, prime rents in the German capital increased for the second consecutive quarter, reaching €47.00/sqm during the summer months (+4.4% year-on-year). Munich continues to record the highest prime rent nationwide at €55/sqm.

Prime rents in Q1-3 2024 and Q1-3 2025



Vacant space in Q1-3 2024 and Q1-3 2025



OUTLOOK

- For the third consecutive year, important economic tailwinds are lacking in the German office markets. However, despite the German economy showing no signs of sustained growth and corporate decision-makers' sentiment deteriorating again recently, take-up is above last year's level, and a sideways movement is expected over the summer. Buoyed by brisk leasing activity in the small space segment and a growing number of large deals, the markets have remained robust for several quarters. Recently, there has been a significant increase in deal activity in the important medium-sized segment, meaning that the markets are in a strong position as we head towards the end of the year.

- However, against the backdrop of ongoing tariff disputes and current geopolitical risks, it remains difficult to predict further developments in the German office market. This is not least because the export-driven German economy is particularly sensitive to external influences. Nevertheless, there is a realistic chance that the special funds launched by the German government will not only offset any negative effects in this area but also stimulate the German economy in the long term. From 2026 onwards, these funds are likely to generate further growth, particularly if additional processes are initiated to strengthen Germany as a business location. This should benefit user markets, particularly office markets.

- Against the backdrop of the conditions outlined above, the most realistic scenario for the full year is that take-up will exceed last year's level by a small margin. The shortage of premium space available at short notice will remain acute in prime locations, putting continued pressure on prime rents.

Important office market locations in Germany

Office market indicators

	PRIME RENT* (€/sqm)	TAKE-UP (sqm)	VACANT SPACE (sqm)				SPACE UNDER CONSTRUCTION (sqm)		SPACE ON OFFER (sqm)	
		Q1-3 2025	total	modern	of this, since completion	vacancy rate	total	available	available	projected
1	2	3	4	5	6	7	8	9	10 = (4+9)	11
Berlin	47.00	362,000	1,828,000	1,133,000	98,000	8.4%	600,000	489,000	2,317,000	3,604,000
Cologne	33.50	177,000	472,000	148,000	3,000	6.0%	168,000	68,000	540,000	283,000
Düsseldorf	46.00	155,000	1,169,000	489,000	103,000	11.7%	217,000	125,000	1,294,000	593,000
Essen	19.00	46,000	264,000	38,000	1,000	8.2%	34,000	2,000	266,000	193,000
Frankfurt	54.00	501,000	1,731,000	961,000	37,000	11.1%	437,000	175,000	1,906,000	355,000
Hamburg	36.00	308,000	882,000	241,000	44,000	6.0%	191,000	82,000	964,000	988,000
Leipzig	21.00	63,000	210,000	100,000	17,000	5.2%	78,000	37,000	247,000	384,000
Munich	55.00	408,000	1,872,000	905,000	303,000	8.1%	580,000	362,000	2,234,000	2,679,000
Total		**2,020,000**	**8,428,000**	**4,015,000**	**606,000**		**2,305,000**	**1,340,000**	**9,768,000**	**9,079,000**

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

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