RESEARCH

At a Glance Q1 2018

OFFICE MARKET ESSEN

RECORD TAKE-UP IN THE FIRST QUARTER

The first quarter of 2018 saw the Essen office market achieve an absolute record result with a take-up of 68,000 m² which not only more than doubled the previous year’s result (29,000 m²) and the ten-year average (28,000 m²), but was also its best take-up result ever for a quarter. For the first time in 15 years Essen has finished ahead of one of the Big Six (Cologne, 57,000 m²). Two major deals have contributed significantly to this dream start: The State of North Rhine-Westphalia leased 26,800 m² for the Police Headquarters and Innogy SE concluded a deal for 16,000 m². Here it is worth mentioning that even without these two contracts, a take-up of almost 25,000 m² was generated due to a large number of smaller and medium-sized lettings, painting the on the whole pleasing picture of a dynamic market.

PUBLIC ADMINISTRATION TAKES FIRST PLACE

Public administration is the clear number one due to the aforementioned lease for the Police Headquarters with over 40 % of the total take-up, which represents an extraordinarily good result. Industrial companies, which are traditionally strongly represented in Essen, generate a further 30 % and take second place. Besides Innogy SE, RWE also contributes around 3,000 m² here. ICT firms (just over 8 %) also make it onto the podium by some distance, with in particular the deal concluded by 11880 Solution for 5,500 m² contributing to this. In addition to other services (just over 6 %) and wholesale/retail (just over 3 %), the coworking/business centre segment also appears on the market with the lease concluded by Regus (1,500 m²).

VACANT SPACE FALLING AGAIN

The amount of vacant space has increased steadily in recent years due to premises being vacated and some properties coming back onto the market after extensive refurbishments. However, during the first quarter of 2018 it fell sharply and now totals only 179,000 m², 43,700 m² of this (just over 24 %) is in Rüttenscheid/Bredeney and a further 39,000 m² (around 22 %) in the Core City. The vacancy rate has also fallen and is currently 5.7 %. Among other deals, the Police Headquarters has leased vacant space and contributed to the reduction.
LESS AVAILABLE SPACE ON THE MARKET

Compared to the same quarter of the previous year, the total space under construction has reduced by half to 60,000 m², with less than one quarter of this (14,000 m²) available to the letting market. Construction activity is concentrated above all on the Core City where around 28,600 m² will be built in the next 12 months, although most of this (79%) has already been pre-let or is designated for owner-occupation. The total space available (vacant space + available space under construction) is therefore 193,000 m² and less than 200,000 m² for the first time since 2015.

TOP RENT REMAINS STABLE

As in the previous year, the top rent is 15.00 €/m² and is achieved for modern and high-quality space in the Südviertel. Very close behind is the Core City with a highest rent of 14.50 €/m². The on the whole busy market activity is also reflected in the increase in top rents in most office market zones as well as in the average rent, which has increased by 16% to 11.70 €/m² compared to the same period of the previous year.

OUTLOOK

A record result cannot be achieved in every quarter and the major deals required for this only appear occasionally in a comparatively small market such as Essen. However, due to the positive economic conditions and with several searches currently taking place, a very good and well-above-average overall result of at least 120,000 m² is expected for the remainder of the year. It is expected that the amount of vacant space will continue to fall, while the top rent should stabilise at its current level.