LIVELY DEMAND IN THE SMALL-SCALE SEGMENT
The Leipzig office market once again performed dynamically in the first quarter of 2018 and achieved a take-up of 23,000 m². The previous year’s figure was beaten by 15% and the long-term average by around 10%. It is notable that the result was achieved almost exclusively by deals for less than 1,000 m², which underlines the lively demand in the small-scale segment. The biggest contract in the year to date for 2,400 m² was completed by the coworking space provider rent24, which has entered the Leipzig market by letting office space in the Strohsack-Passage shopping mall and in the City-Hochhaus high-rise. Against this background, there are currently no major deals, which in 2017 produced an extraordinary result with a new record.

OTHER SERVICES LEAD THE WAY
In the distribution of take-up by sector, the traditionally strongly represented groups in Leipzig are involved in a neck-and-neck race. Other services have taken the lead with almost 21% despite a drop of almost 27 percentage points. ICT firms, which contribute 19% to the result, have to be content with second place. Consultancies almost manage it onto the winners podium with around 14%. Healthcare, which benefits from the deal completed by Co.Don AG for 1,000 m² among others, and the category coworking/business centres each account for around 11%. Lobbyists contribute just under 7%. All other sectors, which are combined under others, total around 19%.

VACANCY RATE HAS FALLEN BELOW THE 8% MARK
The reduction of vacant space that has been observed for a number of years continued in the first quarter of 2018. In the last 12 months the amount of space available in the short term has reduced by almost 14% to 287,000 m². Only around 16% or 45,000 m² are fitted to the modern standards most sought after by occupiers. A further 163,000 m² of the vacant office space is of a normal standard and 79,000 m² is in an unrenovated condition. The highest volume of vacant space is located in the City Centre (54,000 m²) and in the office market zones Leipzig West (42,300 m²) and Graphisches Viertel/Prager Straße (29,400 m²). In addition, the vacancy rate has fallen below the 8% mark since the end of 2017 and is currently 7.6%.
CONSTRUCTION ACTIVITY HAS PICKED UP

Compared to the same period of the previous year construction activity has picked up significantly, although it is nowhere near enough to satisfy the strong demand. Only around 38 % of the in total 56,000 m² of space under construction is available to the market. Most of the space was therefore let before completion or built by owner-occupiers. Half of the construction volume is accounted for by the Ringlaenge, where for example by the end of the year around 6,500 m² of office space will be completed in the “Lebendige Haus” complex in Augustusplatz square and work will have started on the construction of the new-build for Sächsische Aufbaubank (20,000 m²). In addition, the total space available (vacant space plus available space under construction) has reduced by just over 11 % to 308,000 m².

INCREASE IN TOP RENT

The strong demand and short supply put pressure on the top rent, and as a result this rose in the first quarter by almost 4 % to 13.50 €/m². This is achieved in the City Centre for office space fitted to modern standards. A positive development can also be seen with the average rent. The highest rents in the individual submarkets have also increased in the last 12 months by on average 4 %.

OUTLOOK

The outlook for the remainder of the year is very positive. It will not be long before there are major deals, based on the current searches, and this will boost the dynamic development of the market. The amount of space available should therefore reduce once again, with the result that a further slight in the top rent cannot be ruled out.

Key indicators Leipzig Q1 2018

<table>
<thead>
<tr>
<th>Submarket**</th>
<th>Top rent* (€/m²)</th>
<th>Take-up (m²)</th>
<th>Vacant space (m²)</th>
<th>Space under construction (m²)</th>
<th>Space on offer (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>from to</td>
<td>Q1 2018</td>
<td>total modern</td>
<td>of this, since completion</td>
<td>total available</td>
</tr>
<tr>
<td>1 City Centre</td>
<td>13.50 6.50</td>
<td>6,500 54,000 5,600</td>
<td>0</td>
<td>3,300 1,900 55,900</td>
<td>6,000</td>
</tr>
<tr>
<td>2 Centre Fringe/ Centre Relief Area</td>
<td>8.20 9.50</td>
<td>7,700 72,700 17,100</td>
<td>0</td>
<td>43,500 16,500 89,200</td>
<td>16,500 99,600</td>
</tr>
<tr>
<td>3 Subcentres</td>
<td>7.00 9.40</td>
<td>6,100 135,600 16,300</td>
<td>0</td>
<td>9,200 2,600 138,200</td>
<td>118,400</td>
</tr>
<tr>
<td>4 Periphery</td>
<td>6.50 6.60</td>
<td>2,700 24,700 6,000</td>
<td>0</td>
<td>0 0 24,700</td>
<td>41,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>23,000 287,000 45,000</td>
<td>0</td>
<td>56,000 21,000 308,000</td>
<td>265,000</td>
</tr>
</tbody>
</table>

* 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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