BNP Paribas Real Estate publishes office market figures for the first half of 2015

Take-up well above prior-year level

In the first half of 2015, take-up of office premises in the eight most important German locations – Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig and Munich – totalled just over 1.55 million m². That was over 12 % more than in the same period last year. This is revealed by a survey conducted by leading nationwide property consultant BNP Paribas Real Estate (BNPPRE).

The key results:

- Take-up increases year-on-year by over 12 %
- Positive development in almost all locations
- Reduction in vacancy continues; particularly dynamic fall in Berlin
- Development of prime rents still varied as yet
- 2015 as a whole also expected to produce turnover rise

"As expected, the increased momentum on the take-up front already apparent in the first quarter actually accelerated in the following months to generate the best half-year performance of the past four years. At 1.553 million m², the result was more than 12 % higher than the prior-year figure", says Marcus Zorn, Deputy CEO of BNP Paribas Real Estate Germany. "It also exceeded the ten-year average by almost 8 %. This appreciable rise in turnover was fuelled chiefly by the positive overall economic development and the still very robust state of the labour market. Many business companies now have a more confident view of the future course of the economy, something reflected for instance by the upward movement of important sentiment indicators in the first half. One consequence is a greater readiness to invest, something from which the office markets are also benefiting. Highlighting the broad basis of this upturn is the fact that the improvement is evident in almost all market segments and locations."

It is notable that with the exception of Leipzig, take-up rose in all the office centres. In the inter-city ranking, Berlin moved up into first place with 335,000 m². This represented a year-on-year increase of 17.5 % and was also the best half-year result ever registered. In second place came Munich with 307,000 m²; this was, though, only a marginal rise of just under 2 % on the year before. Perceptibly higher take-up figures in line with the average nationwide rise were also posted by
Ham burg, with 257,000 m² (+12 %), and Frankfurt, with 203,000 m² (+11 %). Düsseldorf generated a turnover of 205,000 m² (+18.5 %), thus passing the 200,000 m² mark at the six-month point for the first time in five years. An only slightly lower year-on-year improvement was registered by Cologne, where take-up totalled 131,000 m² (+15 %). The biggest increase compared with the first half of 2014 was that of nearly 74 % achieved in Essen, where turnover, at 80,000 m², represented a new half-year record. The only location to post a decline was Leipzig, where take-up fell by about one third to 35,000 m². This was due primarily to the fact that this city has so far failed to generate any sizeable new contracts.

**Reduction in vacancy continues**

Viewed across all locations, vacancy is now 5 % lower than a year ago; it currently totals 6.68 million m². As a result of the strong demand, the reduction actually gained speed again somewhat in the second quarter. By far the biggest fall in the volume of vacant space was that observed in Berlin, where the figure is now nearly 15 % down on last year's level. There were also dynamic declines in Cologne (-7 %) and Munich (-6 %). In Hamburg, in contrast, vacancy remained static. The only city to post an increase in vacancy was Essen (+12 %), something due above all to the completion of some new premises, not all of which have been let yet.

**Prime rents develop in different ways**

Prime rents have so far failed to reflect on a broad front the positive development of turnover. Only two cities have posted a year-on-year increase: Munich (+4 %) and Berlin (+2 %). Falls, on the other hand, have been registered by Düsseldorf (-5.5 %) and Cologne (-2 %), something due at least partially to a shortage of high-grade newly built office units in top locations capable of commanding substantial rental prices. In all the other locations, prime rents stayed the same as the year before.

**Outlook**

"From today's viewpoint there are a good many reasons to expect the present economic upswing to fundamentally continue during the remaining months of the year, making GDP growth of around 2 % seem realistic. So the pick-up in demand, as compared with 2014, should be maintained, producing a further rise in turnover. It remains to be seen, however, whether the developments in connection with Greece can cause any significant clouding-over of the current mood and whether a possible Grexit could bring about a marked deterioration in economic prospects. On the other hand, though, since this scenario has already been the focus of discussion for some considerable time, we believe that most signs suggest that the markets and many business enterprises are
prepared for such an eventuality and have already priced it in. Against this background, we are sticking to our forecast of a higher take-up in the year as a whole", says Marcus Zorn, summarising the outlook for the time ahead.

We will be pleased to send you detailed information on the office locations in 2015 or to arrange a meeting for you to discuss background issues.

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