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PRESS RELEASE

BNP PARIBAS REAL ESTATE PUBLISHES GERMAN OFFICE MARKET FIGURES FOR 2015

Second-best take-up of last ten years

Take-up of office premises in 2015 in the eight main German office locations – Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig and Munich – totalled around 3.49 million square metres. That was more than 20 percent above the prior-year level. This is revealed by a survey conducted by BNP Paribas Real Estate. The key results in brief:

- Office space take-up over 20% higher than year before
- Positive development in all locations
- Reduction in vacancy actually accelerating slightly
- Prime rents climb in several cities
- Outlook for 2016 good overall

“This very good result was due primarily to the extremely strong final quarter, which by itself generated take-up of 1.08 million m². The only quarterly performance to better this was the period October-December 2006. Large leases upwards of 5,000 m², which had been distinctly under-represented the year before, were back closer to their long-term average, contributing a share of just over 29%. This development also played a role in the marked rise in take-up. It is notable that sizeable leases achieved similar shares of take-up in all the most important locations, indicating that large companies are tending to become more active again in the office markets. This can also be considered a sign that they take a positive view overall of both the
economic situation and their general business prospects”, says Marcus Zorn, Deputy CEO of BNP Paribas Real Estate Germany.

The pleasing growth of take-up was not the result of one-off effects in individual cities but was evident in all the locations under review, although to differing extents. Berlin took top place with 814,000 m²; this was its best-ever performance by a considerable margin and represented a year-on-year increase of nearly 34 %. Second place went to Munich, with 741,000 m² (+24 %), which thus had to cede the leading position to the German capital for the second time. Compared with the top two, the turnover increase in Hamburg, was relatively modest (+3 %) but at 529,000 m² the city’s result was nonetheless good by long-term standards. The biggest rise was that registered by Düsseldorf with more than 39 %; this lifted its take-up to 453,000 m². Only in 2007 had this Rhineland metropolis generated a higher take-up of office space. Just behind came Frankfurt with 438,000 m², equivalent to an increase of almost 7 %. The result achieved by Cologne, at 281,000 m² (+17 %) was also above average in any multi-year comparison. Essen turned in its best performance of the past seven years, improving its prior-year take-up by nearly 29 % to post 130,000 m². The Leipzig market finished only marginally higher than the year before (+1%), but its result, of 103,000 m², must definitely still be considered good to very good.

Vacancy reduction continues

Viewed across all eight locations, vacancy declined by more than 10 % to 6.2 million m². This means that the reduction in vacant space actually accelerated in the past twelve months. One contributory factor has been that in order to accommodate refugees, municipal authorities have rented or purchased office premises that in some cases had previously been difficult to market. In the cities under review, this cut vacancy by over 200,000 m², corresponding to nearly 30 % of the total reduction. The biggest falls in vacancy – just as in the overall supply of available space – were noted by Munich (-27 %) and Essen (-15.5 %). The volume of empty space has also declined substantially in Berlin (-10 %) and Leipzig (-8 %). The reduction in all the other cities was on a scale of between 2 and 6 %.
Especially in Berlin and Munich, where vacancy rates are now only just over 4 % – with the rate in the Munich municipal area actually only slightly above 3 % – the supply of modern office premises of the kind chiefly in demand has been diminishing noticeably. And since the volume in the project pipeline remains modest, this situation will not change much this year either. On the one hand, this creates the danger that it will not be possible to meet all requests for space, thus holding back take-up, but on the other hand, it raises the possibility of rents rising again more strongly.

Prime rents in some cities move higher

On average across all the locations under review, prime rents climbed by just over 2 % in 2015. In those cities without increases, rents stayed steady, with no falls being registered anywhere. The dynamic development of the Berlin market was reflected by a rise of close to 9 % in the prime rent, taking it to 25 €/m², and this was also accompanied by appreciable increases in average rents. Higher prime rents were also noted in Leipzig (+4 %, 13 €/m²), Munich (+3 %, 35.50 €/m²) and Hamburg (+2 %, 25.50 €/m²). The other cities maintained their prior-year levels: Düsseldorf 26 €/m², Cologne 21 €/m² and Essen 14 €/m². The same applies to Frankfurt, which in sovereign style retains its leading position in the nationwide rental price ranking with a prime rent of 38 €/m².

Office markets 2016: Development between steady and slightly positive

“The prospects for the German office markets are quite favourable overall. With forecast GDP growth of around 2 % and an increasing level of employment, the outlook for the key pillars of demand is positive. The mild expansion of joblessness to be expected at the same time is due entirely to the greater availability of labour in connection with the refugee situation. The increase in the size of the population, though, will probably have a stimulating impact on the economy, from which the office markets should benefit at least peripherally. Important sentiment indicators, such as the Ifo and ZEW indices, which showed signs of recovery in the final quarter of 2015, suggest that companies are generally regarding this coming year with optimism. The economy should also be fuelled by the very low oil prices and the ongoing weakness of the
very difficult to calculate, on the other hand, are external influences emanating from the trouble-spots around the world or the development of the global economy. But as long as there is no real shock from outside, the repercussions on German business should be controllable", says Marcus Zorn, summing things up. Against the background of the current situation, the outlook is likely to be as follows:

- In view of the economic perspective outlined above, all the signs suggest that office markets will tend to remain stable in 2016 or even develop slightly better than in 2015, thus raising the possibility of a modest increase in take-up.

- Despite growing construction activity, the strong scale of demand should trigger a further slight fall in vacancy. Contributing to this will be the extra space required by local authorities for accommodating refugees; at least part of this need will be met by the acquisition of older premises which were previously difficult to market.

- In several locations, the anticipated good demand in association with just limited new building measures will prompt higher prime and average rents. This applies in particular to Berlin, where the combination of buoyant demand, a further fall in vacancy, and a restricted volume of construction will accelerate developments on the rental price front.

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BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network, that represents today more than 3,200 people).

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