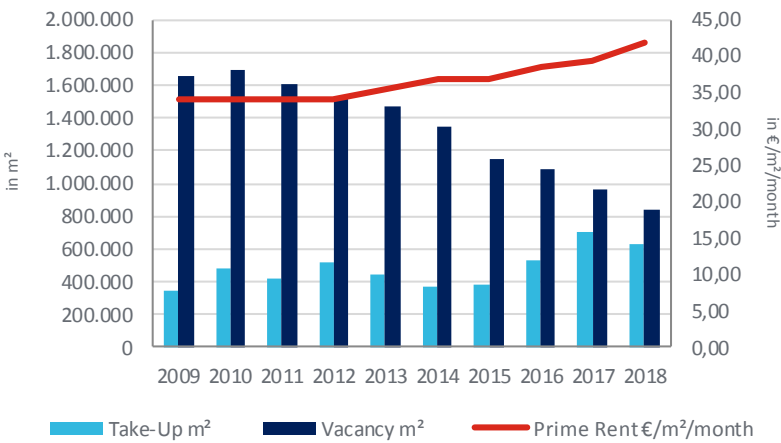




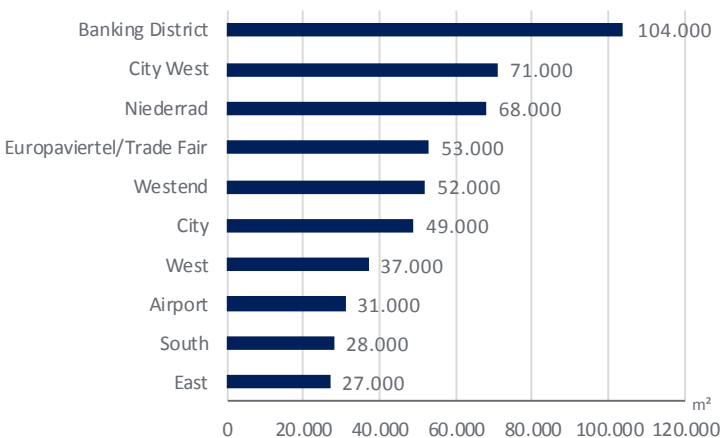
OFFICE MARKET FRANKFURT Q4 2018



Overview

For the second year in a row, the Frankfurt office market registered a clearly above-average take-up. Although the outstanding result from 2017 was missed by 11.0%, with 625,000m², the rental volume surpassed the 10 year average by 33.4%. In the fourth quarter of 2018, approximately 180,000m² was let in the market area. Vacancy fell by 12.8% during the year and the vacancy rate was registered at 7.0% in December 2018. Parallel, the prime rent rose by 6.3% or 2.50 €/m²/month to the current 42.00 €/m²/month.

Take-Up by Submarket, Top-10



KEY MARKET FIGURES

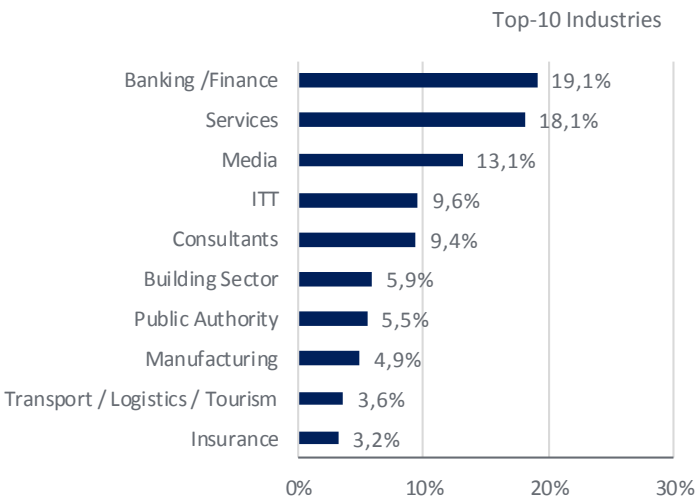
Market Area Frankfurt*	
Take-Up	625,000m²
Vacancy	843,000m²
Vacancy Rate	7.0%
Completions	136,400m²
Under Construction	584,000m²
Prime Rent	42.00 €/m²/month
Prime Yield (net initial)	3.00%

FRANKFURT

Inhabitants (12-2017)	741,093
Unemployment Rate (12-2018)	4.9% (German Average 4.9%)
Trade Tax Rate	460%

Take-Up by Industry

Supported by the major contracts of Commerzbank and Bankhaus Metzler (see table below) and a generally brisk rental activity, banks and financial service providers achieved a market share of 19.1%. Service companies ranked second with 18.1%, primarily due to the 21 contracts with approximately 60,000m² of rental space that co-working providers have closed. All in all, the tenant base was well diversified in 2018.



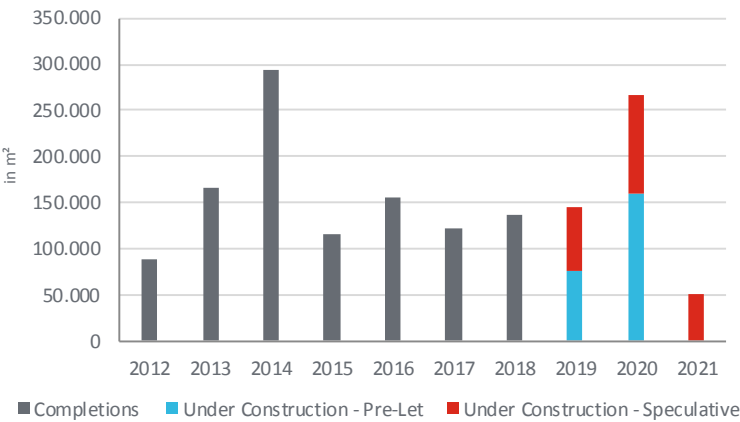
Take-Up by Size

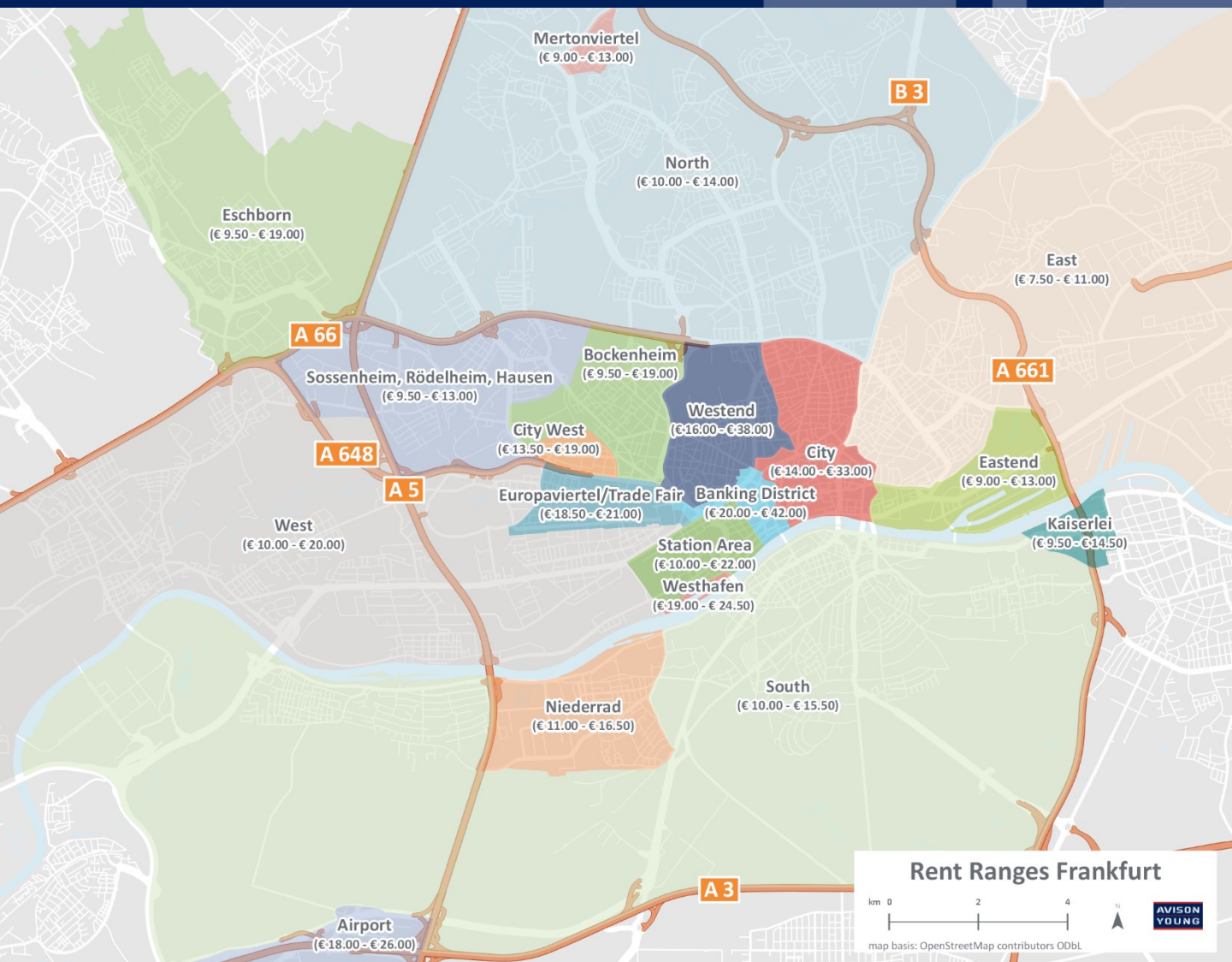
In the last quarter of the year, another three contracts above 10,000m² were closed. Above all, the contract of Deloitte Legal in the project Zebra, which will be realized by 2021 in the submarket Europaviertel. Therefore, all three contracts closed in Q4 directly rank below the contracts of Commerzbank and the Frankfurter Allgemeine Zeitung (FAZ) in the list of top deals. Rental activity was at the same level in almost all size segments compared to the previous year. Only in the size segment between 2,001 and 5,000m² was take-up noticeably lower.

Office Submarket	Company	Letting Area in m² (approx.)
City West	Commerzbank	34,800
Europaviertel/Trade Fair	Frankfurter Allgemeine Zeitung	25,000
Europaviertel/Trade Fair	Deloitte Legal	17,000
Niederrad	Nintendo of Europe	15,000
South	Bankhaus Metzler	13,000
Niederrad	DB Schenker Deutschland	9,500
Bankenviertel	Spaces	9,200
Eschborn	Continental AG	9,000

Completion Volume

The volume of space under construction increased by 68% during the year to 584,000m². For 2019, we expect a completion volume of 145,000m² with a pre-letting share of approximately 52% in December 2018. However, it is likely that above all the vacant space in the Omnium will be pre-let before completion. The pre-letting rate currently stands at 60% for the 268,000m² forecasted for 2020.





Outlook

- The signs are favorable for the Frankfurt office market in 2019. Market participants are optimistic about the new year and there are many indications that once again an above-average result will be achieved (10-year average: 480,400m²). However, it remains to be seen whether the letting volume will tie in with the strong years 2017 and 2018.
- The vacancy volume should continue to decline slightly in 2019. Already by the end of 2018, a large part of the new space that will be coming onto the market in the next three years is pre-let. Especially the projects in the central locations are likely to find tenants quickly. We do not expect any noticeable relaxation from the supply side before 2020.
- Rents in the entire market area are likely to continue to increase in 2019, because vacancies are also becoming scarce in existing stock. There is still room for rent increases in the trophy spaces, although rents in the prime segment are likely to rise only moderately.

Sources: Thomas Daily, Bundesagentur für Arbeit, Destatis, Stadt Frankfurt am Main, Avison Young

Avison Young - Germany GmbH

Neue Mainzer Straße 28
60311 Frankfurt am Main

Inga Schwarz Head of Research Germany
Tel: +49 40 360 360 41 | inga.schwarz@avisonyoung.com

Najia Aarab Head of Office Leasing Frankfurt
Tel: +49 69 962 443 104 | najia.aarab@avisonyoung.com



Platinum member

avisonyoung.de

Disclaimer

The information contained in this report was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young – Germany GmbH. All opinions expressed and data provided herein are subject to change without notice. This report cannot be reproduced, in part or in full, in any format, without the prior written consent of Avison Young – Germany GmbH.

© 2019 Avison Young – Germany GmbH. All rights reserved.