

Germany

Office Market Snapshot FRANKFURT

Q3 | 2020



OVERVIEW

With approximately 760,000 inhabitants, Frankfurt is the most populous city and the largest job market in the Rhine-Main region. The lockdown in March 2020 left its mark. The unemployment rate in Frankfurt rose from 5.2% in March 2020 to 7.5% at the end of September. According to forecasts by Oxford Economics, the regional gross domestic product will decline by 5.9% in 2020 compared with last year. However, renewed growth of 5.3% is expected in 2021.

OCCUPIER FOCUS

From January to the end of September 2020, Frankfurt's office market saw take-up of 207,500m². The result is some 40% below last year's equivalent figure and the average for the previous five and ten years. At 98,000m², the third quarter has been the strongest so far this year.

VACANCY AND PROJECTS

Over the last three months vacancy has risen by some 10,000m² to 864,200m². The vacancy rate rose to 7.4% at the end of September. Six properties with a total of 50,500m² were completed in the third quarter, bringing the total completion volume from Q1 to Q3 to 116,500m², which is 45% above the average for the last five years. The current construction activity of almost 556,000m² is also well above the five-year average of 313,000m².

RENTS

The achievable prime rent remained stable at €45.00/m²/month. The weighted average rent across all new leases concluded in the last twelve months amounted to €23.15/m²/month at the end of the third quarter - an increase of €2.70/m²/month year on year. This increase is mainly due to the large-scale lettings in development projects in the banking district.

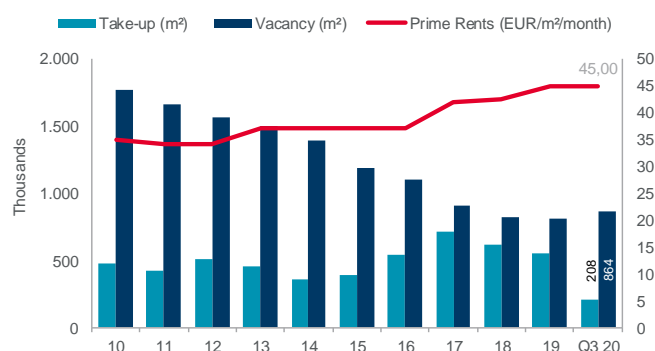
INVESTMENT FOCUS

In total, some €2.4 billion has been invested in office properties and office development projects so far this year. The largest deal in the third quarter was the purchase of the BHF high-rise by ABG and HanseMercur, who will refurbish the property in the medium-term. The net initial yield for prime properties in the banking district has been stable at 2.75% since December 2019.

IMPORTANT TRANSACTIONS

The largest deal concluded in the third quarter and also in the year to date is DekaBank's leasing of almost 16,000 m² in Tower T1 of the Development Four complex in the banking district. The second-largest letting, also involving space in the T1 tower, is the lease signed by law firm Freshfields Bruckhaus Deringer in the first quarter for some 15,000m².

OFFICE MARKET FRANKFURT



RENTAL PRICE RANGES Q3 2020

SUBMARKET	EUR/M ² /MONTH
Banking District	20.00 – 45.00
Westend	18.00 – 39.50
City	16.00 – 36.00
Bahnhofsviertel	12.50 – 22.50
City-West	13.50 – 20.00
Europaviertel/Messe	18.00 – 34.00
Westhafen	19.00 – 27.00
West	10.00 – 22.00
Niederrad	11.50 – 16.50
Flughafen	17.50 – 28.00
Süd	13.00 – 20.00
Ostend	13.00 – 20.00
Mertonviertel	11.00 – 14.50
Eschborn	9.00 – 19.00
Offenbach-Kaiserlei	9.00 – 16.50

3-MONTH OUTLOOK

Prime Rents	▶
Prime Yields	▶
Vacant Space	▼
Take-up	▼

Source: Cushman & Wakefield