MARKETBEAT

FRANKFURT

Office Market Q4 2023

	YoY Change	12-Month Forecast
363,200m² Take-Up (cum.)	▼	▲
9.3% Vacancy Rate	▲	▲
417,400m² Under Construction	▼	▼
€48.00 Prime Rent, €/m²/month	▲	▲

LABOUR MARKET

	YoY Change
96.5 Ifo Employment Barometer Germany (Dec 2023)	▼
325,800 Frankfurt Office Employees (Dec 2023)	▲
5.9% Frankfurt Unemployment Rate (Dec 2023)	▲

Sources: ifo-Institut, Moody's Analytics, Federal Employment Agency

ECONOMIC OVERVIEW

The latest results of the economic survey by the Frankfurt Rhine Main Chamber of Commerce and Industry indicate that the region's gross domestic product is expected to decline by 0.2% in 2023. Slight growth of 0.4% is forecast for 2024. Particularly high energy prices are having a negative impact on business development in international competition and are causing investments to move abroad. In addition, many consumers remain cautious regarding propensity to buy due to higher prices.

TAKE-UP

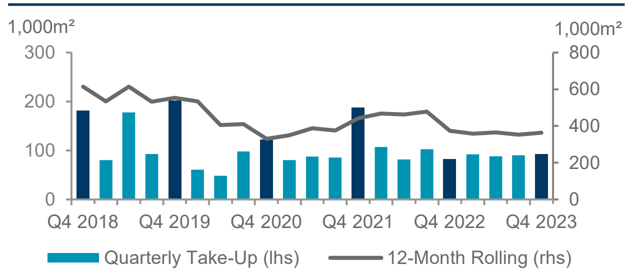
Office take-up via lettings and owner-occupancy in Frankfurt's real estate market totalled around 363,200m². This is 21% below the 5-year average. With office take-up of around 92,500m², Q4 was the strongest quarter of 2023. The largest letting of the year took place in Q4, with around 12,400m² let to Deutsche WertpapierService Bank in the "Phoenix" development project at Kölner Strasse 5 in Eschborn. Two lettings in the 10,000m² or more category contributed only around 7% to annual take-up, which is well below the 5-year average of around 26%. In addition to the Q4 Deutsche WertpapierService Bank deal, a company from the industrial sector leased around 12,400m² in The Move at Frankfurt Airport in Q3. The size segment from 2,000m² to less than 10,000m² contributed around 37% of office take-up in 2023, which is 9 percentage points above the 5-year average of 28%. This reflects an adjustment of demand parameters towards smaller size segments.

The change in demand is also reflected in the high proportion of around 42% of take-up in A-quality office buildings in 2023. For large-scale users with an area of 5,000m² or more, this figure is as high as 73%.

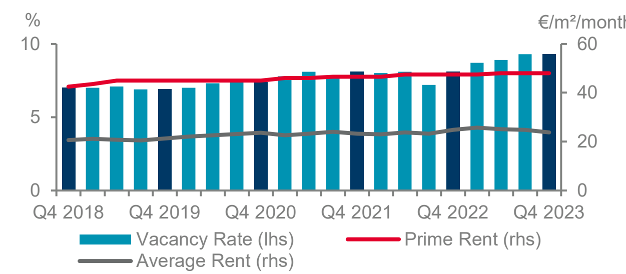
VACANCY

At the end of December, around 1.09 million m² of office space was available for immediate occupancy. This corresponds to a vacancy rate of 9.3% and is 1.2 percentage points higher than at the end of 2022. Compared to the previous quarter, the vacancy rate remained stable. At around 121,600m², the supply of subletting space increased by around 50,000m² compared to the previous year and currently accounts for around 11% of vacancy.

TAKE-UP



VACANCY & RENT



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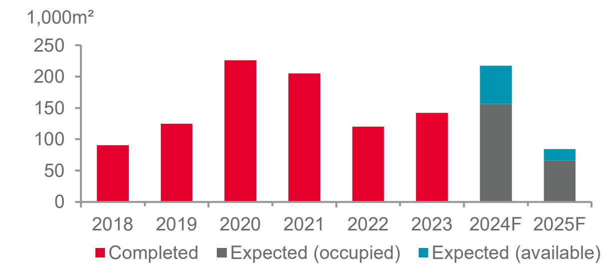
COMPLETIONS

In the Frankfurt market area, around 51,200m² of office space was completed in Q4 2023, compared to 142,000m² for the full year. 53% of this was still available for rental on completion. At the end of December 2023, 417,400m² of office space was under construction. Compared to December 2022, this corresponds to a decline of 11%. In 2024, a high volume of completions is expected again due to projects already under construction. Compared to the past four years (2020-2023), around 30% less space will be completed between 2024 and 2027. This corresponds to a reduction of an average of 50,000m² per year. This is due to the fact that projects are no longer being started speculatively.

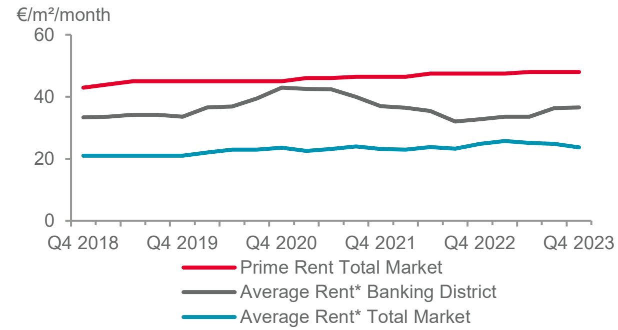
RENTS

In Q4, prime rent in Frankfurt remained stable at €48.00/m²/month. Compared to the end of 2022, it has risen by €0.50 or 1.1%. The weighted average rent across all new lettings in the past twelve months is €23.70/m²/month. Compared to both the previous quarter and the equivalent quarter of the previous year, this corresponds to a decline of €1.10 or 4.4%.

COMPLETIONS



RENTS



SELECTED PROPERTY DEVELOPMENT PROJECTS

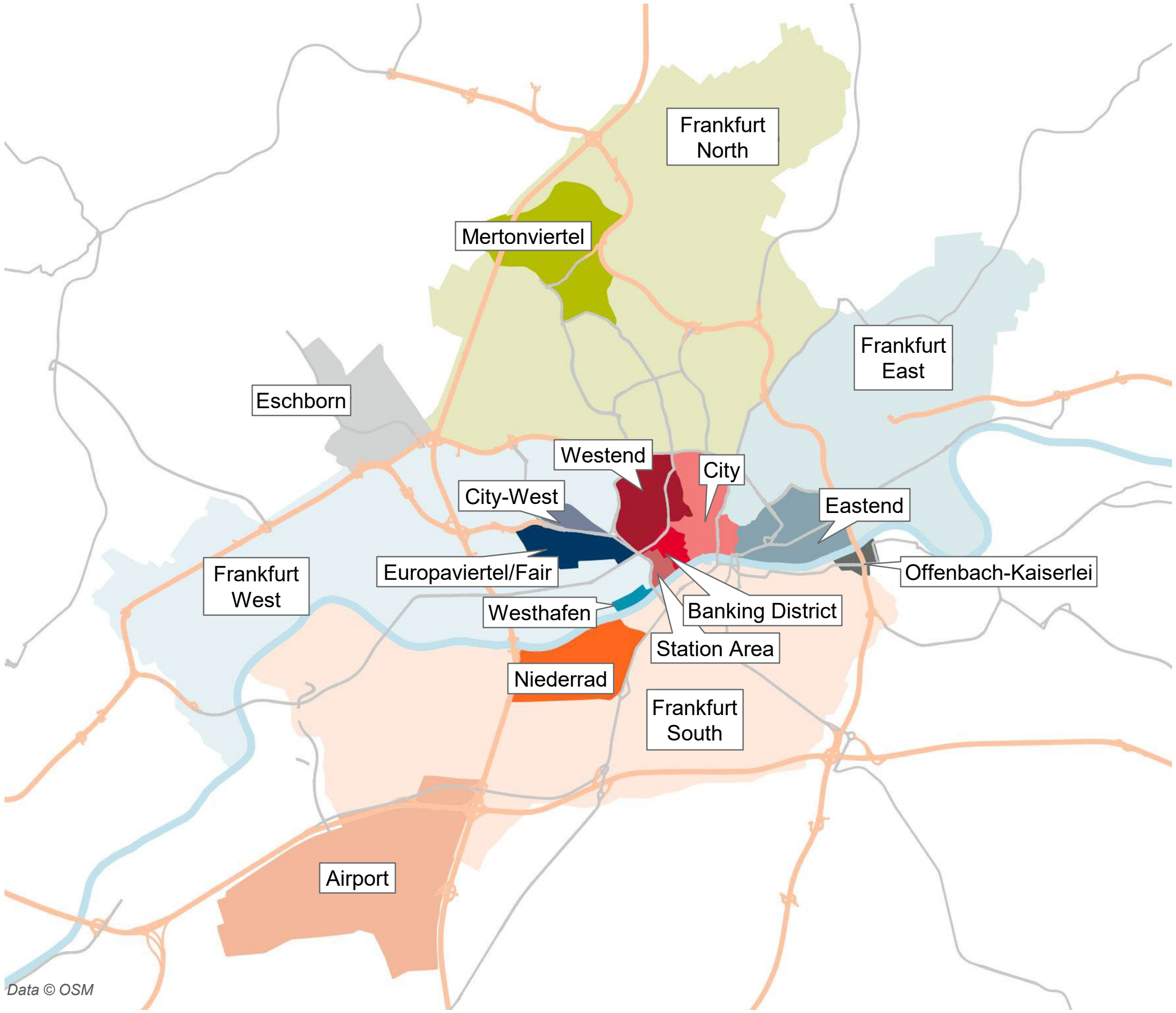
Property/Project	Submarket	Status	Year of Completion	Office Space (m²)	Owner
Four T4	Banking District	Completed	2023	23,900	UniImmo
Kreisler	Station Area	Under Construction	2024	23,100	Quest Investment Partners
Atreeum	Eastend	Under Construction	2024	18,000	OFB
Timber Pioneer	Europaviertel/Fair	Under Construction	2024	14,100	UBM

MARKET STATISTICS

Selected Submarkets	Take-Up YTD (m²)	Completions YTD (m²)	Space under Construction Current Quarter (m²)	Prime Rent Current Quarter (€/m²/month)	Average Rent* Current Quarter (€/m²/month)
Banking District	41,100	23,900	142,800	48.00	36.60
Westend	30,800	1,900	12,000	46.50	30.10
City	30,300	8,100	28,200	41.00	24.90
Station Area	16,200	0	23,100	35.00	23.30
Total Market Frankfurt	**363,200**	**142,000**	**417,400**	**48.00**	**23.70**

** Weighted Average Rent (12 months)*

SUBMARKET OVERVIEW



RENTAL PRICE RANGES Q4 2023

Submarket	€/m²/month
Banking District	17.00 - 48.00
Westend	16.00 - 46.50
Station Area	14.00 - 32.00
City	15.00 - 41.00
City-West	15.00 - 24.00
Europaviertel/Fair	19.00 - 38.00
Westhafen	18.00 - 25.50
Eschborn	10.50 - 22.00
Airport	16.50 - 28.00
Mertonviertel	11.00 - 15.00
Niederrad	12.00 - 18.00
Offenbach-Kaiserlei	9.50 - 16.00
Eastend	12.50 - 25.00
Frankfurt North	9.00 - 16.00
Frankfurt East	10.00 - 15.00
Frankfurt South	13.00 - 23.00
Frankfurt West	11.00 - 25.00

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