BNP Paribas Real Estate publishes office market figures for 2011

Take-up rises by nearly 18 percent: Third-best result ever registered

- In 2011, take-up in the nine most important German office locations – Berlin, Cologne, Düsseldorf, Essen, Frankfurt, Hamburg, Leipzig, Munich and Stuttgart – totalled over 3.66 million square metres, thus exceeding the prior-year figure by nearly 18 percent to become the third-best result ever registered.

- Overall vacancy fell by 5 percent, while the volume of modern vacant premises declined even more sharply, by almost 14 percent.

- Prime rents posted an average year-on-year climb of around 3 percent.

Frankfurt am Main, January 5, 2012 – "In spite of the financial and currency crisis and the downward forecasts for further economic development, the rental markets lost none of their momentum in the second half of 2011 and in fact bettered the result for the first six months, to achieve a share of more than 53 percent of aggregate take-up. The situation of most business firms remains positive and amazingly stable despite the clouds gathering on the economic horizon", emphasizes Piotr Bienkowski, Executive Chairman of BNP Paribas Real Estate Germany. "The take-up total of over 3.66 million square metres represented an increase of almost 18 percent on the prior-year figure and was more or less on a par with that in 2007. The only year with a stronger performance was 2000. Even though we had reckoned on perceptible growth in turnover, this actually exceeded the expectations we had at the beginning of the year".

The only city to report a fall was Düsseldorf, with take-up of 362,000 square metres. This was 5.5 percent down on the prior-year total, but that had been heavily influenced by the out-of-the-ordinary Vodafone deal (90,000 m²). Essen stepped up its turnover only
moderately, by 2 percent (107,000 m²). The highest take-up was once again posted by Munich, with 883,000 square metres (plus 47%). It was followed by Berlin, with 550,000 square metres (plus 7%), Hamburg, with 536,000 square metres (plus 6%) and Frankfurt, with 525,000 square metres (plus 2%). Extremely good performances in terms of the relative year-on-year increase were reported especially by Stuttgart, with 56 percent (283,000 m²), Cologne, with 35 percent (315,000 m²) and Leipzig, with 27 percent (103,000 m²).

**Marked fall in supply of modern space – climb in prime rents**

Compared with the previous year, vacancy fell by 5 percent to 8.7 million square metres. "What is particularly notable", Piotr Bienkowski points out, "is that the volume of modern vacant office space was reduced by around 14 percent and now totals only about 2.57 million square metres, which is less than 30 percent of aggregate supply". A similar trend is apparent in space under construction. While the actual construction volume has remained virtually unchanged, at slightly under 2.02 million square metres, the space still available to the rental market has dropped by 12 percent (to 816,000 m²). So now, only around 40 percent of the volume of premises under construction is still available for renting.

In Essen (13.50 €/m²) and Leipzig (11.50 €/m²), prime rents remained stable, but in all the other cities they moved higher. By far the biggest rise was that registered in Munich, with an increase of 10 percent to 33 Euros per square metre. Rise of slightly less than 3 percent were posted in Frankfurt (36 €/m²) and Stuttgart (18.50 €/m²). In Berlin (22 €/m²) and Hamburg (23.50 €/m²), prime rents climbed by over 2 percent, while Düsseldorf (24.25 €/m²) and Cologne (21.70 €/m²) reported only slight year-on-year climbs. On average across all the locations, rents thus rose by around 3 percent.

**Office markets in 2012: Moderate decline in take-up expected**

"Despite the ongoing good general conditions, which currently point to a slow-down in economic growth rather than to any recession, even the German economy will be unable to entirely escape the impact of the problematic European and global situation. In view of
this, we anticipate that take-up in 2012 will be lower than that recorded last year. At the moment, though, there is no indication of any appreciable slump being imminent, and so we expect to see a result above the long-term average", says Bienkowski confidently. "One prerequisite for this, however, is that the currency crisis does not get out of control".

The way in which prime rents develop will probably be influenced by two differing trends: On the one hand, the somewhat duller economic climate will have a braking effect, on the other, the steadily declining supply of modern office premises will take on greater significance. So the most likely scenario from today's angle is that prime rents will rise only moderately. Summing up, Bienkowski says: "Overall, the prospects for the German office markets are therefore more stable than might have been expected against the backdrop of the diverse problems confronting Europe. Nevertheless, there are many imponderables whose possible impact on the markets is virtually impossible to forecast".

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