

OFFICE MARKET FRANKFURT AM MAIN

1 | 2014

AN OVERVIEW



Wirtschaftsförderung Frankfurt - Frankfurt Economic Development - GmbH,
a company of the City of Frankfurt am Main

LOCATION QUALITIES AT A GLANCE

The German city of Frankfurt am Main boasts outstanding location qualities for companies of any size. The city is the economic and geographic centre of the Frankfurt-RheinMain region. With its approx. 60,000 companies, it generates a quarter of the GIP of the German Federal State of Hessen and represents the job engine of the region with 650,000 jobs. Around 700,000 people live in the city's total area of 248 square kilometres.

Frankfurt am Main uses the high degree of diversity of the companies based in the city to achieve dynamic activity, stability and resilience in the face of crisis. Although it is primarily known for its strong financial sector, Frankfurt am Main is also home to a diverse range of important target sectors, namely creative industries, IT and telecommunications, biotechnology and life sciences, logistics and industry. The institutions and educational facilities located in the city provide quick and simple access to these markets. Thanks to its excellent infrastructure, Frankfurt am Main is not only very accessible, but also very well networked.

You can reach all European and international markets from the city within an extremely short space of time. Frankfurt Airport is the eighth largest airport in the world and transports around 56 million visitors to destinations worldwide every year. With its excellently developed motorway system and railway networks, Frankfurt am Main is considered to be one of the busiest transport hubs in Europe. Frankfurt is also one of the world's most important data communication hubs and is well known as a city in which everything is close at hand.

Frankfurt's strong international focus favours high-quality workforce potential supplemented by international and company-oriented educational facilities. Approximately 30% of the professors at Goethe University come from abroad. 20 international kindergartens and 13 schools additionally underline the city's international character, which also influences the diversity of cultural life in the city. The comprehensive range of international cultural activities on offer for everyone, numerous recreation opportunities in green surroundings and the constantly growing selection of high-quality housing all contribute towards a high quality of life.

Companies can use spillover effects resulting from the spatial proximity to suppliers, competitors and customers to their advantage. Organisations based in Frankfurt also mutually benefit from the city's large supply of labour and high information density. The diversified economic structure with local institutions and educational facilities offers a number of location advantages, particularly for knowledge-intensive and company-oriented service providers. Companies therefore benefit from the excellent market access provided by the city.

THE OFFICE MARKET

All the qualities of the economic location, transport hub and living and cultural centre of Frankfurt are simultaneously the qualities of the Frankfurt real estate location and therefore of the city's office market. The office market in Frankfurt is a very high-quality market, not only due to the quality of the location, but also as a result of the mostly excellent furnishings in offices in the city, their energy efficiency and the large number of multi-storey buildings, which are traditionally very cost-intensive. The Frankfurt skyline therefore represents the top properties available on the city's office market. On the whole, Frankfurt offers approximately 11.5 million square metres of office space, giving it the fourth largest office market after Munich, Berlin and Hamburg. This office market offers space at an extremely wide variety of different locations for your company (see the "Overview of Office Sub-markets").

Frankfurt am Main is known as the "Green Building Capital" as it is the city with the most certified office buildings in Germany. Furthermore, the Green Building Award is presented every two years in the Frankfurt-Rhine-Main Region, thus increasing the targeted focus on the trend of energy-efficient building standards (for more information, please visit www.greenbuilding-award.de). Interest in such sustainable real estate properties is continuing due to economic and environmental reasons, meaning that Frankfurt is optimally positioned.

Every year, an average area of 425,000 square metres is newly let in the Frankfurt city area¹. This shows that there is a great deal of demand and movement on the market. 2012 was a peak year with nearly 500,000 newly let square metres in the Frankfurt city area. 2013 recorded

¹ Average value of the last 10 years

a slightly lower, but still impressive total of almost 420,000 square metres of newly let office space.

The amount of vacant office space has been continuously decreasing for several years and is currently at 12.5%, which corresponds to roughly 1.43 million square metres. For companies looking for office space, the existing space potential has positive effects, ultimately meaning that they can choose from a multitude of attractive spaces in different qualities and locations. Despite the existing space available, new office buildings continue to be planned and developed: in 2013, approx. 200,000 square metres were newly constructed, while in 2014, 300,000 square metres are expected to be completed. Given that parallel areas are leaving the market as a result of demolition or conversions, the overall amount of office space in the city will not increase significantly.

In contrast, the development of the available office space in previous years shows that the overall amount of space has increased continuously until now. Since 2009, the number of office square metres available has evened out at approx. 11.5 million.

Table 1 The amount of office space and number of office employees in Frankfurt from 1999-2011

Year	1999	2005	2011
Office employees	216.238	222.417	238.690
Office m ²	9.379.644	10.356.420	11.541.857

Source: Frankfurt Urban Planning Office / Frankfurt Office for Statistics / Job Agency

The previous increase in office space can be traced back to the attractiveness of the location for investors alongside the increased demand among companies. After all, while the number of office staff has increased by 10% since 1999, the overall volume of office square metres available has increased by 23% (see Table 1).

AN OVERVIEW OF OFFICE SUB-MARKETS

The Frankfurt office market is above all characterised by its wide range of locations and furnishing qualities, meaning that the market offers an extremely wide range of rental prices. The sub-markets

Figure 1 Selected office sub-markets in Frankfurt at a glance

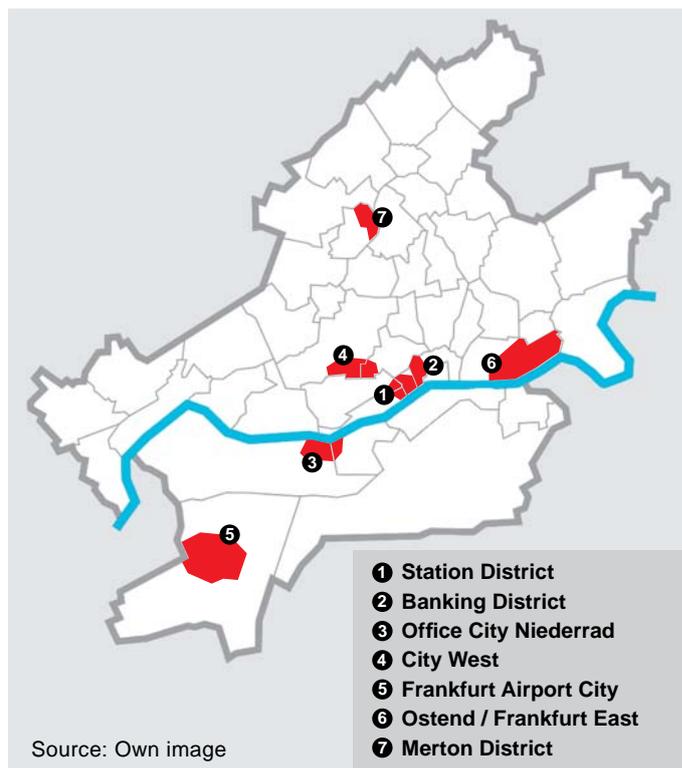


Table 2 The rental price ranges of the office sub-markets

Sub-market	Rental Price Range ²
Station District	€ 9,00 – 18,50
Banking District	€ 17,00 – 38,00
Office City Niederrad	€ 8,50 – 15,00
City West	€ 9,50 – 18,00
Frankfurt Airport City	€ 12,00 – 30,00
Ostend / Frankfurt East	€ 6,50 – 16,00
Merton District	€ 9,00 – 13,50

2 Note: The lower price level generally describes office space that is not renovated, has no special technical fixtures and fittings such as air conditioning, a lift, etc. or is in existing buildings and/or involves very large layouts. The highest price level generally describes office space in new buildings or newly renovated and/or revitalised areas with state-of-the-art fixtures and fittings and very high levels of space flexibility, i.e. small layouts, possibly also certified buildings and/or the top floor in multi-storey buildings.

In addition, the rental price ranges listed are non-binding and subject to change. The rental prices listed here refer to the attainable nominal rent. This differs from the effective rental price, which also takes negotiated incentives etc. into account. Alongside the rental price, auxiliary costs and, if applicable, VAT must also be paid. Furthermore, the prices listed do not refer to a fixed term, but are instead based on the experience of different market participants over the past few years and their predictions for the near future. They do not represent binding prices at which spaces are available or up for rent. The values listed here are merely intended to provide an overview and a first impression of the market circumstances.

described below provide an insight into just some of the diversity available (see Figure 1 and Table 2). Please contact us for further information.

1. STATION DISTRICT

The Station District is not a traditional office location. Nevertheless, the district represents what many consider to be the embodiment of urbanity: a central inner-city location, perimeter block development from the Gründerzeit period, a range of different uses and an easily accessible location with perfect connections to the public transport system via Frankfurt Central Station and to the motorway system via the A648. Although the Station District is also home to part of Frankfurt's red-light district, the area is currently undergoing radical change. While companies from the creative industries, tourism representatives and hotels initially discovered the district due to its vibrancy, it is now developing into a high-quality business and residential location.

Due to the stable demand, the rent prices for office space are increasing slightly. For office premises with simple furnishings, the rental prices start at €9.00 per square metre, while new lettings lie at approximately €13.00 per square metre. For particularly attractive spaces with high-quality furnishings, the net rent excluding utilities can be up to €18.50 per square metre.



In recent years, residential construction in the district has been encouraged. The Station District is developing rapidly and project developers are discovering the area for themselves. Due to the conversion of office and residential space that is no longer marketable, the number of vacancies is decreasing and the district is benefiting from this upgrading. The City of Frankfurt am Main is also promoting and funding an increase in

the attractiveness of the public areas in the district. Plans for redesigning streets and squares such as Taunusstrasse and Niddastrasse, Karlstrasse and Karlsplatz will be implemented from 2014 onwards.

2. BANKING DISTRICT

The Banking District is the centre of the financial metropolis of Frankfurt. The district covers part of the Westend quarter, the Station District and the city centre. Its skyscrapers at the heart of the city are home to a comprehensive range of national and international banks, financial service providers, insurance companies, consultancies and law firms.



Although the Banking District has the highest rents in the city, demand continues to be high: the close proximity to competitors and clients is an important criterion. With its core real estate, the Banking District is also in the focus of international investors. Project developers are continuously planning and constructing new office projects, some even without pre-letting. Currently (01/2014), the following large-scale projects were recently completed or are under construction: the revitalisation of the "T11" at Taunusanlage 11, the "Taunus Tower", the "Forty-Seven & Co." office building at Mainzer Landstrasse 47, a multi-storey building used by Credit Suisse at Taunusanlage 8, the "Maró" at the corner of Neue Mainzer Strasse/Neue Rothofstrasse or the MainTor property, which represents an expansion of the Banking District towards the south. Further projects such as the "Vista" at Mainzer Landstrasse 36, the Kornmarktarkaden in Berliner Strasse or the new multi-storey building project on Marieninsel (Taunusanlage 9-10) are currently in planning.

The rental prices for a square metre of office space in the

Banking District start at €17.00 but the rental price range for the majority of spaces is between €25.00 and €30.00 per square metre. The rare small-scale office spaces with areas of up to 300 square metres are particularly in demand. On the upper floors of the new multi-storey buildings, the peak rents even reach up to €38.00 per square metre.

3. OFFICE CITY NIEDERRAD

The Office City Niederrad is a commercial area covering 144 hectares south of Frankfurt city centre and was established in the 1960s. Due to its close proximity to the airport and the city centre, the location was selected as a congestion relief centre for the high-traffic city centre. The loosely-structured multi-storey construction style with large open areas ensures a high-quality working environment. The close proximity to Frankfurt City Forest and the river Main also contribute towards the attractiveness of the location.

The Office City has developed into an established business location and provides space for a large number of renowned companies such as Hochtief, Nestle (Germany HQ), T-Systems International GmbH, DekaBank, the German Engineering Association (VDMA), the German Electrical and Electronic Manufacturers' Association (ZVEI), ADAC, AvD (HQ) and the EC Campus.

The district provides these companies with a very well-connected location (with the Niederrad "S-Bahn" suburban train connection and full access to the A5 motorway since 2013) that is considerably below the price level of Frankfurt city centre. The Office City is mainly home to medium-sized and large office space units that are available to rent. It also features a number of different business centres in which small-scale office space is available. In office buildings with a good furnishing quality, the rental prices are up to €15.00 per square metre. Premises with simple furnishing are available from as little as €8.50 per square metre, while new lettings are available for a price of approximately €12.00 per square metre.

The city wants to further develop the Office City to make it a mixed district with more residential use. The corresponding development plan "No. 885 - Hahnstrasse", which covers the eastern part of the Office City, is expected to come into effect in mid-2014. The retention

of the Niederrad District as an office location is also an important concern for the city. Both companies and residents will benefit from the increased quality of the local environment and the improved local amenities in the district.

4. CITY WEST

The City West District is a relatively new location that has been gradually established between Theodor-Heuss-Allee to the south and Solmsstrasse to the north since the mid-1990s. This development on a former industrial estate south of the Westbahnhof train station shows how the modern notion of mixed use with a high-quality working environment can be implemented successfully. The City West District offers excellent transport connections thanks to its location at the interface between the A648 motorway and the city centre, one of the most strongly frequented traffic hubs of the city. Moreover, the district is very well-connected to the public transport system via the tram and the Westbahnhof station (S-Bahn and regional train (RB)).

Most of the users of this location are from the insurance, financial services and consulting sectors, for example companies such as Deloitte, American Express, R+V Versicherung and Mainova AG. The City West is an established office location that is continuing to grow. A project that is currently under construction is the St Martin Tower, a multi-storey building with a basement construction at the Katharinenkreisel roundabout. The project is expected to be completed in mid-2015 and will extend the space available in the district by adding a number of flexibly rentable units. The City West typically offers an increased number of large-scale office units. Rental prices for simply furnished properties start at €9.50 per square metre, while prices of €18.00 or more per square metre can be achieved in the case of particularly attractive premises with high-quality furnishings in the highest storeys.

5. FRANKFURT AIRPORT CITY

The Frankfurt Airport City business location is situated directly at and around Frankfurt Airport. The office market therefore benefits directly from this unique transport hub that Frankfurt has to offer, where connections between the rail, road and air travel

The Intercity-Express (ICE) long-distance railway station and the A3 and A5 motorway interchange

networks meet and offer users of the location convenient and time-saving travel options.

The Airport City is above all the central location for internationally operating companies, in particular in the areas of mobility and logistics. In August 2013, DB Schenker, the transport and logistics subsidiary of Deutsche Bahn AG, moved its new group headquarters to the Gateway Gardens. Internationally operating auditing companies such as KPMG also benefit from the Airport City's excellent travel options for clients and employees.

The Airport City office market is divided into three sub-markets: the airport including the Cargo City South, The Squire and the Gateway Gardens. At the airport, office space in existing buildings can be rented from as little as €12.00 per square metre and can reach top rental prices of up to €30,00, for example in The Squire. The Squire is a unique architectural property that is often described as a horizontal high-rise with an Intercity-Express (ICE) railway station in the basement. The new Gateway Gardens location, in which the office buildings are mainly new buildings, attains rental prices of approx. €17.50 to just under €20.00 per square metre. On this converted US military site, a new business location is currently being developed on an area of 35 hectares. This will boast even better connections to the existing public transport network in the future. A decision made by the City of Frankfurt am Main this year has now set the course for the expected construction of the location by DB AG in late 2014 and the opening of the new "Gateway Gardens" suburban train (S-Bahn) station in 2018. In addition, a local amenities centre with a supermarket and health and beauty store, a bakery and a pharmacy will ensure the fulfilment of daily needs. On the whole, Frankfurt Airport City offers potential for new project developments.



6. OSTEND / FRANKFURT EAST

The lifeline of Frankfurt East is the Hanauer Landstrasse. The 6.8km-long arterial road, which is well known as Germany's "car mile", is also a very popular retail location. The front section of the Hanauer Landstrasse in particular is a hot spot for the creative industries with countless agencies from the film and advertising industry. Against this background, Frankfurt Economic Development decided to locate its own projects [MAINRAUM], a start-up centre for the creative industries (www.mainraum-gruender-haus.de), and the Frankfurt Start-Up Centre ("Frankfurt Gründerzentrum") in this area. The new headquarters of the European Central Bank are currently being constructed on the site of the former large market hall, not far from the prospering Frankfurt Osthafen harbour. This development means that the financial industry is now also moving to Frankfurt East. The attractiveness of the Ostend/Frankfurt East District is continuously increasing thanks to its combination of an industrial, residential and retail location, as well as a creative and business location, which is unique in Frankfurt.

Project developments with planned mixed use, for example on the site of the former fire station (Hanauer Landstrasse 77-81) or on the site at Hanauer Landstrasse 118-120, as well as further projected commercial buildings in Lindleystrasse in the Osthafen or to the north of Hanauer Landstrasse in Ferdinand-Happ-Strasse, offer additional potential for the office spaces that are in demand in the district.

In office buildings behind the Ratswegkreisel roundabout, rental prices in the industrial estate start at €6.50 per square metre for extremely simple furnishings. Most new lettings lie at a price of approximately €13.00 per square metres (in front of the Ratswegkreisel). For especially attractive premises with high-quality furnishings or for new buildings with a view of the Osthafen, the rental prices can reach up to €16.00 per square metre.

The convenient location of the Frankfurt East District as an interface between the A661 motorway and the city centre was further improved by the opening of the new Osthafenbridge in December 2013. This new bridge has made the Hanauer Landstrasse, the new location of the European Central Bank and Frankfurt city centre even more accessible thanks to the new north-south connection. In the coming years, Hanauer Landstrasse itself will become the subject of a number

of urban redevelopment measures in which street space will be redesigned for pedestrians, cyclists, cars and public transport. In addition, there are plans to extend Ferdinand-Happ-Strasse to the east to Daimlerstrasse alongside the railway tracks. This would create further relief for the Hanauer Landstrasse.

7. MERTON DISTRICT

The Merton District in the north-west of Frankfurt is extremely accessible thanks to its own connection to the A661 city motorway, as well as to several underground stations. The major traffic hubs of Germany and the Rhine-Main area can therefore be reached from the district within a few minutes. The district, which recently became only 25 years old (in 2012), is home to 20 office and commercial properties and above all stands out due to its single-tenant properties, which are available at short notice. Spaces covering areas of 400 square metres and up are also available in the Merton District, where rental prices range from €9.00 to €13.50 per square metres for premises with particularly high-quality furnishings. The Merton District is therefore one of the more affordable business locations in Frankfurt and offers excellent value for money, which is also due to the excellent quality of its buildings. Furthermore, several properties in the area are currently being revitalised. The portfolio of office spaces is supplemented by an Office

Centre that offers small-sized office units for rent. A further location advantage alongside the district's close proximity to the city's nature reserve is above all its excellent climate, with the Merton District's location near air channels relevant to the urban climate meaning that it is often up to 10 degrees cooler than the city centre in the summer.

Approximately 150 companies are located in the Merton District, for example the insurance company Zürich Versicherung, the travel agency Deutsche Reisebüro (DER) and the German Federal Financial Supervisory Authority (Bafin). The district has now also been acquiring a new neighbour for several years in the form of the developing district of Riedberg, which is enriching the location with various residential areas and the Riedberg Campus, at which the natural sciences faculties of Goethe University will be brought together by 2014. Together with the Frankfurt Institute for Advanced Studies (FIAS), the Frankfurt Biotechnology Innovation Centre (FIZ), the Max Planck Institute for Biophysics and the Max Planck Institute for Brain Research in the future, the University forms part of the "Frankfurt Riedberg Science City".

The development of the Merton District is actively supported by the owner-initiated "Standortinitiative MertonViertel Frankfurt am Main GbR" (Merton District Frankfurt am Main Location Initiative) (www.mertonviertel-frankfurt.de).

ABOUT FRANKFURT ECONOMIC DEVELOPMENT

The company Wirtschaftsförderung Frankfurt GmbH (Frankfurt Economic Development) is the first port of call for the Frankfurt economy, founders of start-ups and companies that want to locate to Frankfurt am Main, irrespective of their size.

We are an independent guide and provide tailor-made information on the economic structure in Frankfurt and its key industries. With the help of networks and the industry meetings initiated by our company, we help you to establish contact with other companies, associations, communities and advisors.

As a 100% subsidiary of the City of Frankfurt am Main, we act as a mediator between the fields of industry and politics and convey your needs to political bodies. We pursue our goal of creating growth and jobs by providing active company advice and cluster-related relocation strategies. We also provide recommendations on economic and location policy measures and develop proposals for safeguarding Frankfurt's economic future.

Our services are free of charge.

The Department of Real Estate Industry and Location Marketing is your first port of

call for all topics relating to the real estate industry. We support companies in their search for real estate properties and spaces and have direct contact with the owners of such premises. We work very closely with the Building Inspectorate and the City Planning Department.

At the large location trade fairs Expo Real in Munich and MIPIM in Cannes, we work together with actors from the real estate industry to organise the joint exhibition stands of the City of Frankfurt and the Frankfurt-RheinMain region.

We consider a balanced and comprehensive market overview to be extremely important.

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