



Brexit Special: The Impact on Frankfurt

This issue of Germany Market Watch focuses on the city of Frankfurt and the current impact that Brexit is having on the city, as well as potential future trends it will have on the local rental market and schools.



FOCUS CITY: FRANKFURT

THE CITY EXPLAINED

The fifth largest city in Germany (and the largest in the German state of Hesse), Frankfurt is home to many global corporate headquarters and is a major financial centre in Europe, housing the European Central Bank. With a large expatriate population residing there, it is a culturally diverse city, home to many museums, theatres, art galleries and world-class restaurants.

BREXIT IMPACT

A major impact on Frankfurt currently is the UK's plan to leave the European Union (EU), because many organisations, particularly those in the financial sector, have announced their intention to relocate jobs to Frankfurt.

To meet this demand, the city is busy building more office space, but it continues to lack enough housing options for its current residents and potential future residents, following Brexit. For example, 2016 saw Frankfurt's population grow by around 16,000, whilst just 4,000 new properties were built for the residential sales or rental markets. (Helaba, August 2017 Report). In fact, according to Deutsche Bank, Frankfurt is short of approximately 30,000 apartments to meet current demand.

The increase in the local workforce caused by Brexit may create an even bigger divide between supply and demand in the city's rental market. Although the true impact that Brexit will have on Frankfurt is not expected to be felt for a year or two.

RENTAL MARKET

Frankfurt already has a strong 'landlord's market', with high demand pushing up rental rates, especially for new builds. As such, tenants are choosing to remain in their current rental accommodation for longer periods, which is reducing available housing stock even further. With this in mind, when a high quality property does come onto the market, it can be taken very quickly. The city's large number of prospective tenants means that it is not unheard of to attend a property viewing with a group of people. Assignees should be made aware of how competitive the market is and ensure that they remain flexible in their home searches.

Property-types

Apartments are readily available in Frankfurt especially in the city's central areas, with one and two bedroom options easier to source than larger apartments (three and four bedrooms). Houses can be rather limited, however. One bedroom houses are not available and those with two or three bedrooms are very limited with only a few town houses and semi-detached options on the market. For relocating families, larger houses with four or more bedrooms are more readily available in the suburban areas.

Average rental prices for apartments and houses, per calendar month are outlined below:

Bedroom	Apartment	House
1	€1,000-1,500	N/A
2	€1,500-2,000	Very limited availability
3	€1,800-2,500	Very limited availability
4	€2,800-3,500	€3,000-4,000

When providing housing allowances to assignees in Germany, organisations should be mindful of additional living costs such as waste disposal, street and house cleaning, heating and water supplies.

Popular Neighbourhoods

Westend-Nord and Westend-Süd are two city districts, generally considered one area of Frankfurt. Properties in the area are mostly apartments (with a few houses) and rents can start from €2,500-3,000 per month for a two or three bedroom apartment. It is a neighbourhood that attracts a mix of residents including couples, singles and small families.

There are also a number of nearby towns located in the Hesse region that offer high quality properties, particularly popular amongst relocating families. Bad Homburg, Kronberg im Taunus and Königstein im Taunus are spa towns north of Frankfurt, offering detached and semi-detached houses, as well as a small number of apartments. As many of Frankfurt's international schools are located in the Taunus area, properties are in high demand and can be very expensive, typically €10-20 per sqm.

GERMANY PROPERTY
RESIDENTIAL SALES MARKET

Similarly to the rental market, as construction fails to meet the city's growing need for housing, the gap between supply and demand in Frankfurt has widened, leading to a significant rise in house prices. In early 2017, as Brexit discussions gathered pace, Deutsche Bank reported an almost 12 percent rise in the city's property prices.

SCHOOLING

Schooling facilities in Frankfurt are of a very high quality, although German state schools may not be the most suitable option for expatriate children unless they speak German or are young enough to pick up the local language quickly. This means that international schools are often the most popular choice, but there is not a huge selection in Frankfurt. There are also multilingual international schools available for children relocating from a non-English speaking location.

The limited number of international school options means that long waiting lists are commonplace and it is recommended that assignees relocating with children begin the application process as early as possible to ensure they are able to secure a place in their preferred school. It is also advisable to shortlist two or three schools, in case the first option is unavailable. Brexit has the potential to increase waiting times further for international school places in Frankfurt and this should be considered when scheduling assignments to the city in the next few years.

School fees in Frankfurt can also be very expensive by world standards and it is not uncommon to pay a non-refundable registration fee during the application process. Organisations will need to take this into consideration when budgeting school allowances for families relocating with children.

International Schools in Frankfurt
European School Frankfurt

Curriculum: International Baccalaureate

Ages: 3-18

Gender: Co-educational

Telephone: +49 (0)69 92 88 740

Website: www.esffm.org

Frankfurt International School (FIS)

Curriculum: International Baccalaureate

Ages: 3-18

Gender: Co-educational

Telephone: +49 (0)61 71 202 4474

Website: www.fis.edu

ISF Internationale Schule Frankfurt-Rhein-Main

Curriculum: International Baccalaureate and American

Advanced Placement

Ages: 3-18

Gender: Co-educational

Telephone: +49 (0)69 95 431 9710

Website: <http://www.isf.sabis.net/>

TRANSPORTATION
Public Transport

This city has an excellent public transport network, which is efficient, affordable and reliable. Many assignees choose not to use a car whilst on assignment, especially those residing and working in the city centre as it is possible to travel to most places on foot.

Frankfurt has an extensive tram and bus network that extends across the city. Buses especially serve most suburban areas, including a night bus service that is popular during weekends. For those wanting to travel cross-country, Frankfurt's Central Station is a national railway hub offering trains to all major German cities.

Driving in Frankfurt

While most people living in Frankfurt opt to use public transport, some assignees do choose to drive. This may be convenient for families who attend a school outside of the city centre. However, parking in the city can be challenging in terms of limited availability and high cost, so assignees should ensure that their home and/or workplace includes parking facilities. As Frankfurt is considered a commuter city, traffic congestion can also be a major challenge, particularly during peak hours.

GOING FORWARD

At Cartus, we have experienced a continuing increase in the number of tenants entering the Frankfurt market. Such high demand pushes rental prices up and leads to low availability, which are trends we are finding in all major German cities, particularly in areas that provide good quality, expatriate housing. With competition amongst prospective tenants high, we recommend that assignees ensure they are flexible in their property search criteria and once they do source accommodation that they like, they should act quickly to secure it. Flexibility will be even more imperative should organisations continue to choose to relocate from the UK to the city, following Brexit.

As more details become known about how Brexit is impacting Frankfurt and other major European destinations, we will publish further information on the potential impacts to your mobility programmes.

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Sources: F+B Rental Price Index, CBRE, Federal Statistics Office, Property Investor Europe, Trading Economics.

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