24 September 2018 Helaba Financial Centre Study: Brexit Banks are packing their Bags Banks

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Brexit is looming and many banks are preparing to relocate their business activities from London to other financial centres.

- Frankfurt is the first choice for Brexit banks
- 25 Brexit banks are relocating to Frankfurt
- Foreign Brexit banks to double their staffing capacities in Frankfurt
- Brexit to create at least 8,000 new financial sector jobs in Frankfurt

Brexit is looming and many banks are preparing to relocate their business activities from London to other financial centres. Frankfurt is the favourite in this regard and the list of newcomers to the German banking centre is getting longer and longer. "Brexit banks are gradually packing their bags and many of them will be heading for the Rhine-Main region in the future. To date, 25 Brexit banks have opted for the financial centre of Frankfurt, including many well-known institutions. Paris comes some way behind, followed by Luxembourg, Dublin and Amsterdam. This is the result of our current Brexit Map," explained Dr. Gertrud Traud, Chief Economist and Head of Research at the presentation of the study in Frankfurt.

Some large corporations have designated Frankfurt as their most important EU hub in the future and, in so doing, have made a fundamental strategic decision in favour of the city, which will also be reflected in corresponding staffing levels. On the one hand, some jobs will be transferred to Frankfurt, which will be accompanied by the employees concerned either moving completely or commuting between the two financial centres. On the other hand, a certain number of new employees will be hired here or Germans who have worked with banks abroad will be recruited for the new jobs in Frankfurt. Since the beginning of the year, more and more Brexit banks have been making firm plans to relocate their activities. Additional institutions are still in talks with the local supervisory authorities. All in all, an accumulation of Brexit banks can be observed in Frankfurt that is unparalleled in Europe.

»In principle, our ranking of Europe's major financial centres continues to apply: London before Frankfurt before Paris«

Ulrike Bischoff
Helaba's financial centre expert

“In principle, our ranking of Europe's major financial centres continues to apply: London before Frankfurt before Paris”, explains Helaba’s financial centre expert, Ulrike Bischoff. The only aspect that has meanwhile narrowed is the gap between the relative attractiveness of these locations. Frankfurt has been able to improve its competitive position to a greater extent than Paris.

In view of the sometimes very assertive marketing campaigns of other locations, it is vital that the German financial centre presents itself in a selfconfident, concerted manner. Since the referendum, for example, the Hessian state government has accompanied the Brexit process with a variety of activities. There is also a network made up of the various players in the region. In addition, Frankfurt is increasingly receiving verbal backing from the federal government. Now, in view of the short time remaining until Brexit, it is important, for instance, to rapidly implement the planned easing of rules on protection against dismissal for top bankers.

Good conditions in Frankfurt

The Frankfurt office market is in good shape shortly before the conclusion of the Brexit negotiations. Vacancy rates have fallen significantly and rents are approaching their previous highs, although they are still well below the level of competing financial centres. Additional demand by Brexit newcomers and an increase in jobs in other sectors should not lead to bottlenecks thanks to a range of project developments. In contrast, the situation on the housing market remains under pressure despite higher construction activity. The shortage of housing can therefore only be overcome in the long term in collaboration with the surrounding area.

Frankfurt’s Brexit banks come from ten counties; most already have a branch office in Frankfurt or are represented via subsidiaries. In addition, many banks would like to establish a presence in Frankfurt for the first time. Together, Brexit banks of foreign origin in Frankfurt had an estimated 2,500 employees here at the end of 2017. In the scope of their Brexit-related adjustments, they are expected to almost double this number by the end of 2020.

Dr. Traud points out that Helaba has adhered to its Brexit forecast ever since the referendum: “At least 8,000 financial sector jobs will be created over the next few years”. Until the end of 2020, the Brexit effect should have a clearly positive impact on Frankfurt's banking employment and, ultimately, more than offset on-going consolidation processes in the German banking industry. This suggests a total of 65,000 bank employees in Frankfurt, representing growth of around 3 % or an increase of almost 1,800 bankers.

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