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## **GERMAN OFFICE MARKET RECORDS DOUBLE-DIGIT TAKE-UP GROWTH IN Q1 2014, SAYS SAVILLS**

According to the latest research from international real estate advisor Savills, the combined office take-up across Germany's six major markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich) totaled 679,400 sq m in Q1 14, representing an 11.8% rise against Q1 2013.

Marcus Mornhart, managing director and head of office agency at Savills Germany, says: "German office markets have had a much better start to 2014 than last year and the activity in Q1 is evidence that the consolidation period in these markets is now complete."

The firm's research shows that prime rents across all markets also recorded yoy growth of up to 5%, with the exception of Hamburg, with average prime rental growth across these six markets increasing by 3.3% to €27.90/sq m. The average rent rose slightly to €14.44/sq m (+3.6%) across the top markets with the most significant increase recorded in Cologne (+15%). Only in Frankfurt did the average rent decrease, by 2.8%, according to Savills.

Matthias Pink, in the research team at Savills Germany, comments: "Good secondary locations across the top German office markets are seeing high demand which is pushing up rents and leading to increasingly tight supply levels. This lack of space is particularly true for large units so that a renewal of existing leases is increasingly becoming the first and sometimes even the only option for tenants."

In terms of the average vacancy rate across the top six cities, Savills notes that this decreased by a further 20 bps quarter-on-quarter in Q1 2014 to 7.8%. The firm suggests this is a result of strong demand combined with a relatively low level of speculative development completions. Even though the scheduled completion volume for 2014 is 1.25 million sq m, which is markedly higher than in the past two years (670,000 sq m in 2012 and 860,000 sq m in 2013), Savills highlights that the pre-let rate is equally high so that a limited amount of available supply is brought onto the market. Furthermore, a significant volume of stock has been taken off the market due to refurbishments or conversions, for example more than 100,000 sq m left the Frankfurt market during Q1 2014.

Going forward Savills predicts that total take-up across German office markets will reach just below 2.9 million sq m by year end, which would exceed the 2013 result by approximately 3% and match the ten year average. Due to the increase already achieved in Q1 the firm expects rents will only rise marginally in some of the markets during the rest of the year.

Marcus Mornhart adds: "Looking ahead at the rest of the year, we do not expect to see the same double-digit take-up growth as in Q1 but vacancy levels will continue to drop marginally due to general high demand and comparatively low completion figures. Overall the office markets in Germany should have a successful year, with take-up exceeding 2013 levels."

#### German office markets in Q1 2014

(Rates of change in percent or basis points y-o-y in brackets)

	Take-up (m <sup>2</sup> )	Vacancy rate (%)	Prime rent (€/m <sup>2</sup> )	Average rent (€/m <sup>2</sup> )
Berlin	184,800 (+ 6.0 %)	4.7 (- 80 Bp.)	22.00 (+ 5.3 %)	12.90 (+ 8.5 %)
Cologne	58,000 (+ 23.4 %)	7.1 (- 70 Bp.)	22.30 (+ 4.2 %)	13.00 (+ 15.0 %)
Düsseldorf (incl. Neuss and Ratingen)	68,000 (- 6.8 %)	10.8 (- 20 Bp.)	27.50 (+ 5.8 %)	14.70 (+ 3.2 %)
Frankfurt (incl. Eschborn and Kaiserlei)	88,500 (+ 47.7 %)	11.8 (- 170 Bp.)	38.00 (+ 1.3 %)	17.50 (- 2.8 %)
Hamburg	104,200 (+ 1.2 %)	6.5 (- 90 Bp.)	24.00 (+/- 0.0 %)	13.25 (+ 1.1 %)
Munich (incl. Greater Munich)	156,400 (+ 4.0 %)	6.0 (- 30 Bp.)	33.50 (+ 4.4 %)	15.27 (+ 1.5 %)
Top 6	679,400 (+ 11.8 %)	7.8 (- 80 Bp.)	27.88 (+ 3.3 %)	14.44 (+ 3.6 %)

Savills Research 2014

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**For further information please contact:**

Marcus Mornhart, Savills Germany      Tel: +49 (0) 69 273 000 – 70,  
[mmornhart@savills.de](mailto:mmornhart@savills.de)

Matthias Pink, Savills Germany      Tel: +49 (0) 30 726 165 – 134  
[mpink@savills.de](mailto:mpink@savills.de)

Lucie Richards, Savills press office      Tel: +44 (0) 207 409 8884