

Market in Minutes

Germany office markets

Q3 2017



The market at a glance

Despite the increasingly scarce supply, record take-up for 2017 ahead

■ Despite the increasingly scarce supply, office take-up has risen significantly year on year once again. At the end of the first three quarters, take-up was above the strong corresponding figures for 2016 in all markets with the exception of Cologne (Graph 4).

■ Deals across the six largest German office markets between January and September totalled almost 2.8 million sq m, representing an increase of 9.4% (Table 1).

■ Vacancy rates in the German office markets are falling lower and lower, with around 4.4 million sq m (5.3%) currently vacant across the top six markets. This represents a decline of around 600,000 sq m or 70 basis points over the last 12 months.

■ The fact that take-up has risen further despite increasingly scarce supply is partly explained by an increase in the proportion of pre-lets. These have accounted for some 8% of take-up in 2017 to date, which is significantly higher than in previous years.

■ However, the completion volume pipeline is not above average in size (Graph 9). The volume across the top six markets is projected at almost 900,000 sq m for 2018, slightly below the 10-year average of 925,000 sq m, and 1.2 million sq m for 2019, or one third above the average figure.

■ In view of the sustained high demand, a record take-up of more than 3.6 million sq m by the year end appears possible. Consequently, both prime and average rents are likely to rise further (Graph 6).

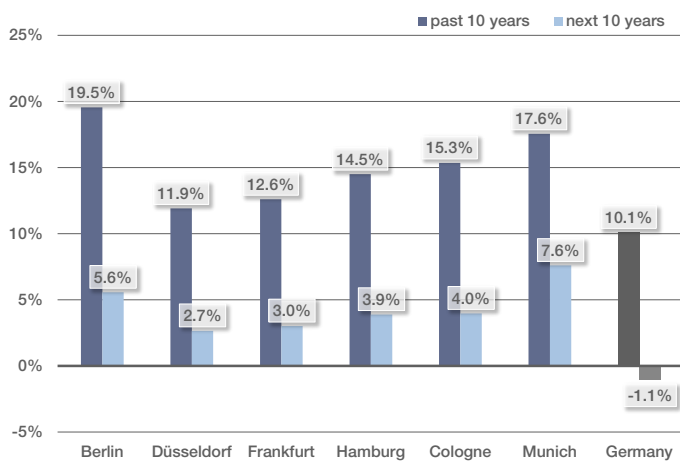
Office market indicators and employment data

TABLE 1
Office market indicators at a glance

	Take-up (sq m)				Vacancy rate (%)		Prime Rent (€ per sq m/month)		Average Rent (€ per sq m/month)	
	Q1 -Q3 17	against Q1 -Q3 16	Q4 16 - Q3 17	against Q3 16 -Q2 17	Q3 17	against Q2 17	Q3 17	against Q2 17	Q3 17	against Q2 17
Berlin (B)	765,600	+9.3%	995,500	+8.3%	2.1	-40bps.	30.20	+1.3%	18.30	+7.0%
Düsseldorf (D)	285,000	+12.5%	357,000	-2.8%	7.8	-20bps.	26.20	+/-0%	15.25	+1.7%
Frankfurt (F)	427,800	+25.8%	614,900	+12.8%	8.3	-10bps.	40.00	+1.3%	19.00	+0.5%
Hamburg (H)	437,500	+12.0%	576,200	-1.0%	5.0	-10bps.	25.50	+/-0%	14.75	+/-0%
Cologne (C)	253,700	-15.3%	368,200	+1.5%	5.0	-30bps.	21.90	+/-0%	14.15	+2.9%
Munich (M)	583,900	+9.7%	783,800	+6.0%	3.4	-20bps.	35.00	+/-0%	16.50	+/-0%
Top6	2,753,500	+9.4%	3,395,600	+5.1%	5.3	-20bps.	29.80	+0.5%	16.33	+2.0%

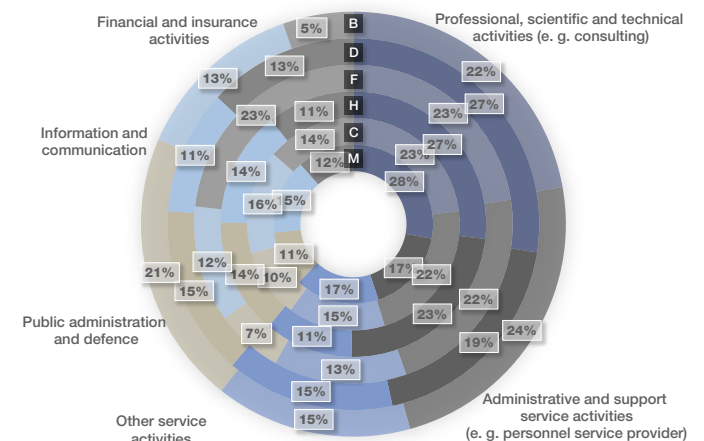
Source: Savills

GRAPH 1
Development of number of employees



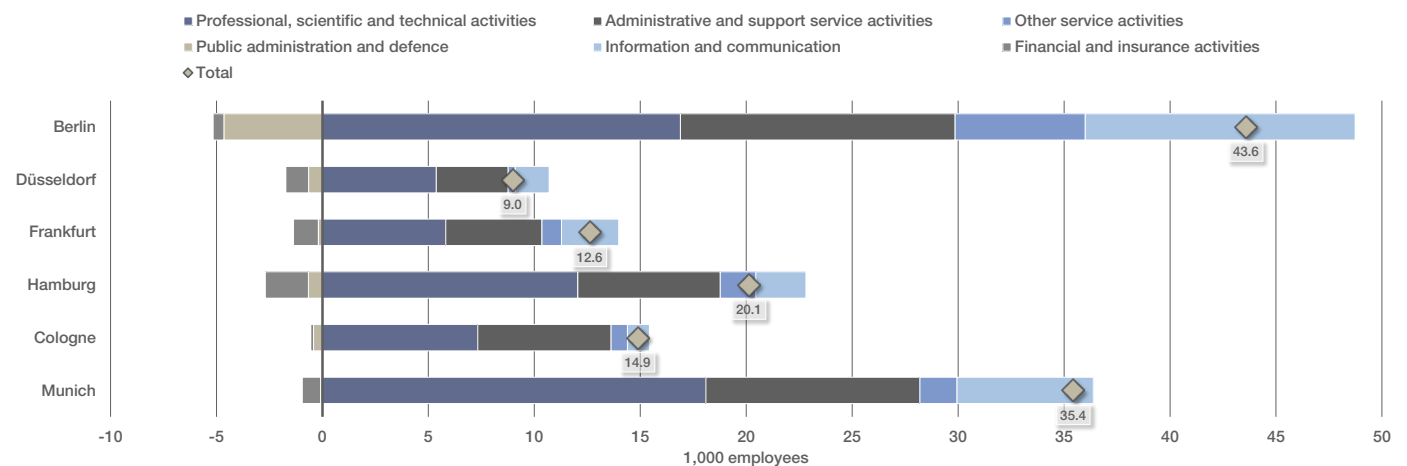
Source: Oxford Economics

GRAPH 2
Office employees by economic sector



Source: Oxford Economics / Note: shown are only sectors in which a proportion of office employees of more than 50% is assumable

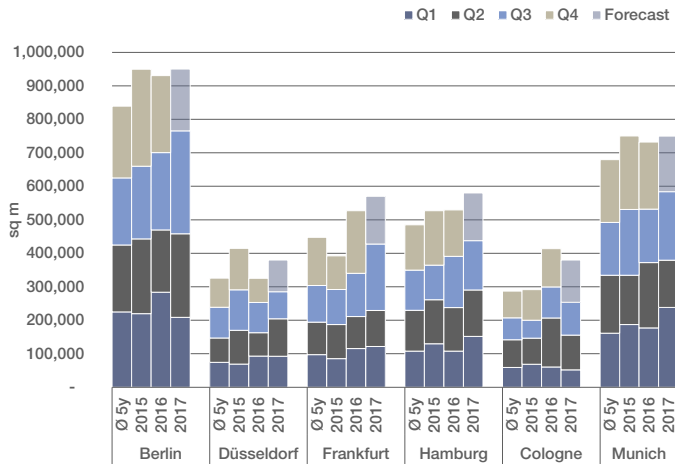
GRAPH 3
Forecast: Change of office employees in the next 5 years



Source: Oxford Economics / Note: shown are only sectors in which a proportion of office employees of more than 50% is assumable

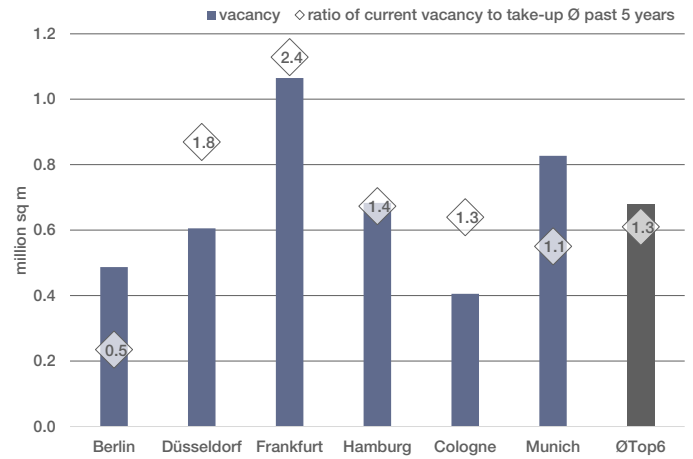
Office market data in detail

GRAPH 4
Take-up



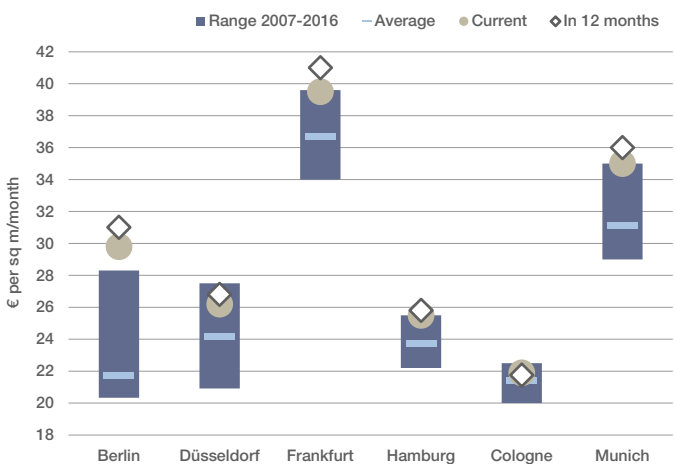
Source: Savills / Note: Ø5y = average of the past 5 years

GRAPH 5
Vacancy



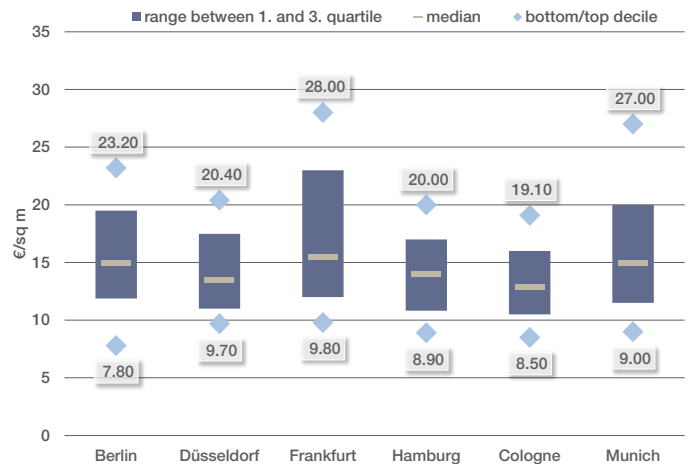
Source: Savills

GRAPH 6
Prime rent



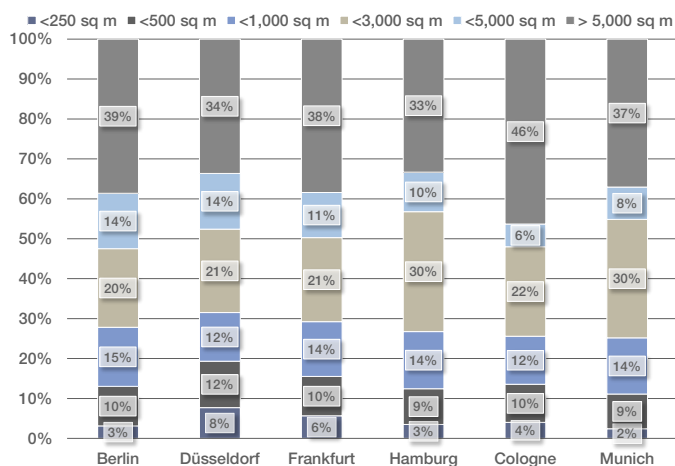
Source: Savills

GRAPH 7
Range of rents



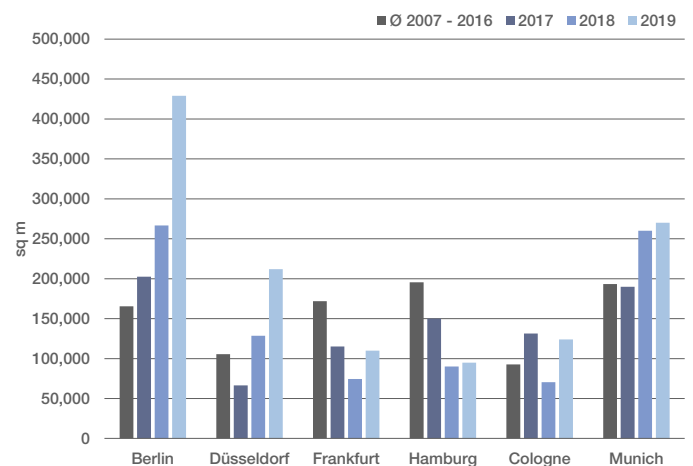
Source: Savills / Note: 1./3. quartile - 25% of all lease transactions happen to rents below/above this value; bottom/top decile - 10% of all lease transactions below/above this value

GRAPH 8
Take-up by size



Source: Savills

GRAPH 9
Pipeline



Source: Savills

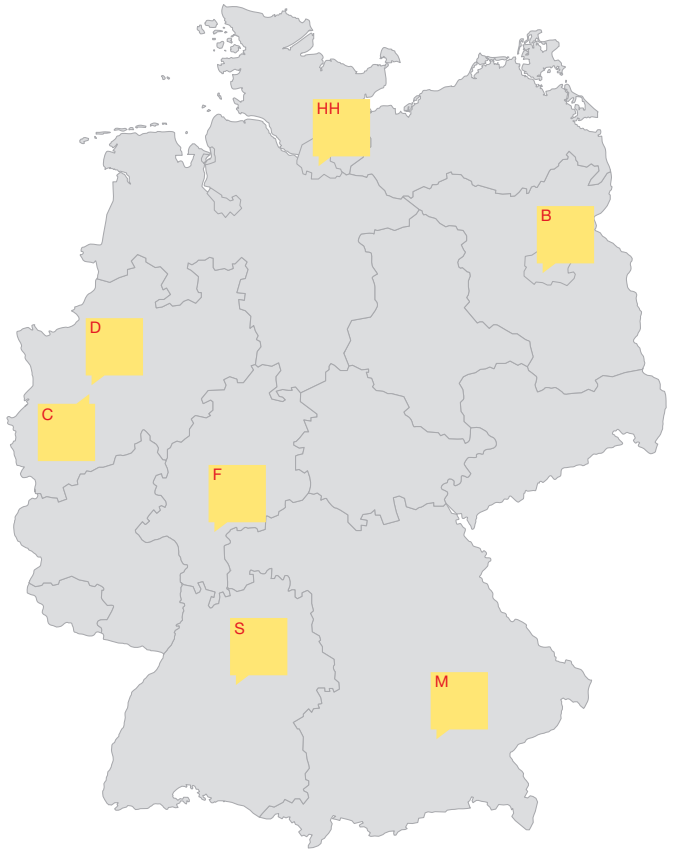
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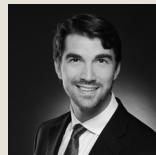
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