

# European Office Demand Snapshot



## Technology and Professional Services drive European office demand during 2020

Savills analysis of European office take-up shows that **Technology, Information and Communication (Tech)** has become the joint most active business sector during 2020, increasing from 16% of total demand in 2019 to 21% during H1 2020 (Chart 1).

Amsterdam, Madrid, London City, Dublin, Prague, Berlin and Munich all observed increases in the proportion of space taken by Tech during H1 2020.

Dublin remains the city with the highest take-up exposure to Tech with 65% of take up so far this year from the sector, up from 50% last year. Next in line was Amsterdam, with 48% exposure, up from 19% during 2019, boosted by megadeals to Uber and Adyen during the first half of 2020. Accenture signed for 9,100 sq m in Madrid during the second quarter to boost the sector’s take-up.

Professional and Business Services remained at 21% of total office demand across the European markets during the first half of the year, boosted by London City, Paris and Germany with a number of legal sector moves. Proportionally, the Banking, Insurance and Finance sector fell from 18% to 16% of total take-up. Powszechny Zakład Ubezpieczeń (PZU) signed for 46,500 sq m in Warsaw during H1 2020, marking the largest ever leasing deal in the market and boosting the sector.

The Energy sector also marked an increase from 4% of total space to 9% of total space, driven by Total signing for 126,000 sq m in Paris- La Defense.

One of the large changes has been the fall in the proportion of demand accounted for by the Flexible Offices sector, falling from 9% of total activity during 2019 to only 3% during the first half of 2020. 2019 was a record year of take-up for the Flex sector, although we anticipate some recovery in demand as companies seek to lease space on flexible terms as they review long-term occupational footprint.

### The bigger picture

*Savills European Office Outlook- Summer 2020* outlined that H1 2020 office take up fell 32% against the same period in 2019. However, the Tech sector remained relatively resilient with average take-up levels down only 18% yoy to 385,000 sq m. Professional Services (-38% YOY to 384,000 sq m) and Banking, Insurance and Finance (-44% YOY to 297,000 sq m) observed larger falls in take-up.

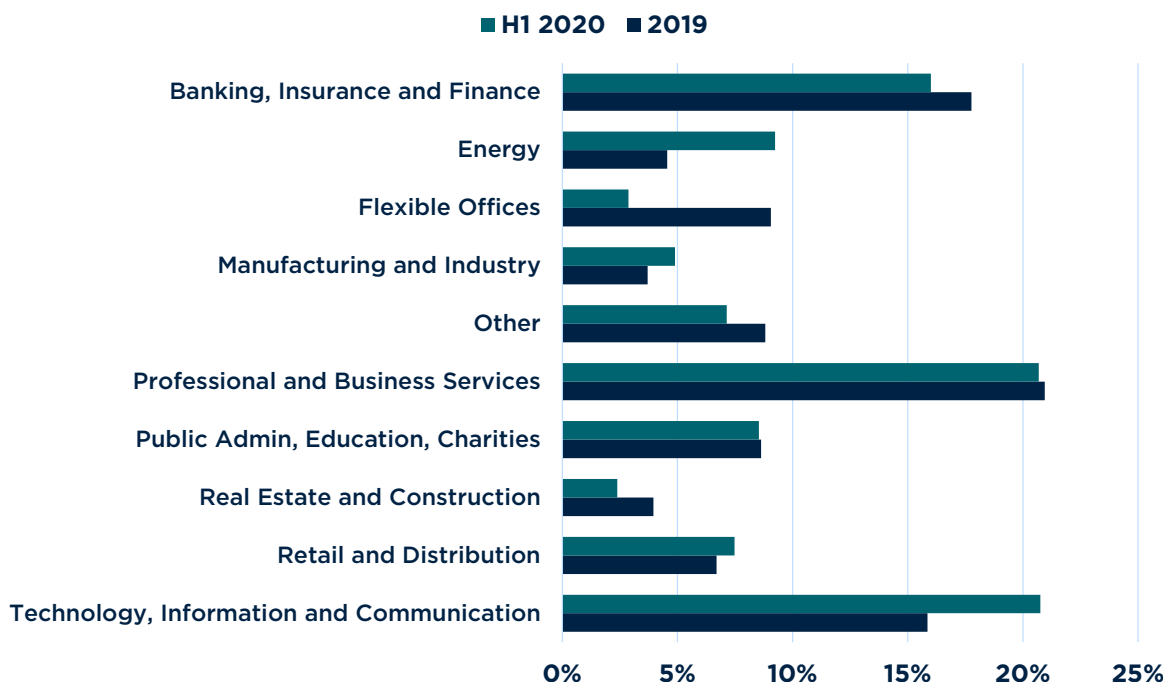
Amsterdam (77,000 sq m) and Dublin (74,000 sq m) appear on top as the most active Tech sectors in Europe by quantum of space in the first half of 2020, followed by London City (42,000 sq m) and Paris (40,000 sq m).

### Looking forward

The end of furlough programmes will begin to reveal the true health of Europe’s economies in Q4 2020, and the extent of the job losses from which to come. Focus Economics forecast the eurozone unemployment rate will rise to 9.8% by the end of 2020, up from 7.7% at mid-year 2020, as companies reduce company headcounts.

The speed of return to the workplace will be largely determined by the extent of the imminent second wave across Europe. Google’s

Chart 1: European office take-up as a % of total



Source Savills Research

“Occupiers are seeking more flexible lease terms as a result of the pandemic, and we are beginning to see evidence of lease incentives increasing throughout the third quarter of 2020.”



Amsterdam, Dublin and London City accounted for the highest proportion of European Tech take-up in H1 2020.



**9.8%**  
Eurozone unemployment rate forecast for Q4 2020, up from 7.7% during Q2 2020.

mobility data indicates that German cities including Berlin (76%) and Frankfurt (78%) have been among the fastest to return to workplaces across Europe as at mid-September. We expect this to increase across other European cities once social distancing restrictions are relaxed, enabling higher workplace occupancy levels. Occupational density levels were already relatively low in Germany and Denmark prior to Covid-19, indicating that social distancing can be accommodated more easily.

On one hand, markets exposed to the Tech sector could also be more exposed to the increased potential for home-working. On the other hand, markets with a higher Tech exposure already had a relatively high proportion of home-working prior to COVID-19, and therefore the impact is likely to be dampened. What’s more, office demand from the Tech sector has been most the resilient so far this year.

Occupiers are seeking more flexible lease terms as a result of the pandemic, and we are beginning to see evidence of lease incentives increasing throughout the third quarter of 2020. The level of space available for sublet is likely to increase over the next 12 months as companies already signed into long leases look to offload space, although given the nature of shorter lease lengths

in mainland Europe, compared to the UK, we anticipate that the impact will be lower.

This being said, Oxford Economics anticipates European office-based employment growth to increase by an average of 3.8% over the next five years, with some of the strongest growth in Stockholm, Copenhagen, Oslo and London. We anticipate the long-term relationship between office-based employment and demand for office space is likely to change going forward as we observe a shift to more collaborative workplaces.

## Savills team

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**Table 1: Significant European office leasing deals 2020**

Tenant	City	Sector	Size (sq m)
Total HQ	Paris	Energy	126,000
PZU	Warsaw	Banking, Insurance and Finance	46,500
KPMG	Munich	Professional and Business Services	31,000
Uber	Amsterdam	Technology, Info, Comms	30,000
Linklaters	London City	Professional and Business Services	28,532
Adyen	Amsterdam	Technology, Info, Comms	16,000
Freshfields	Frankfurt	Professional and Business Services	14,545
Accenture	Madrid	Technology, Info, Comms	9,100
Guidewire	Dublin	Technology, Info, Comms	7,900
Wrike	Prague	Technology, Info, Comms	5,300

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