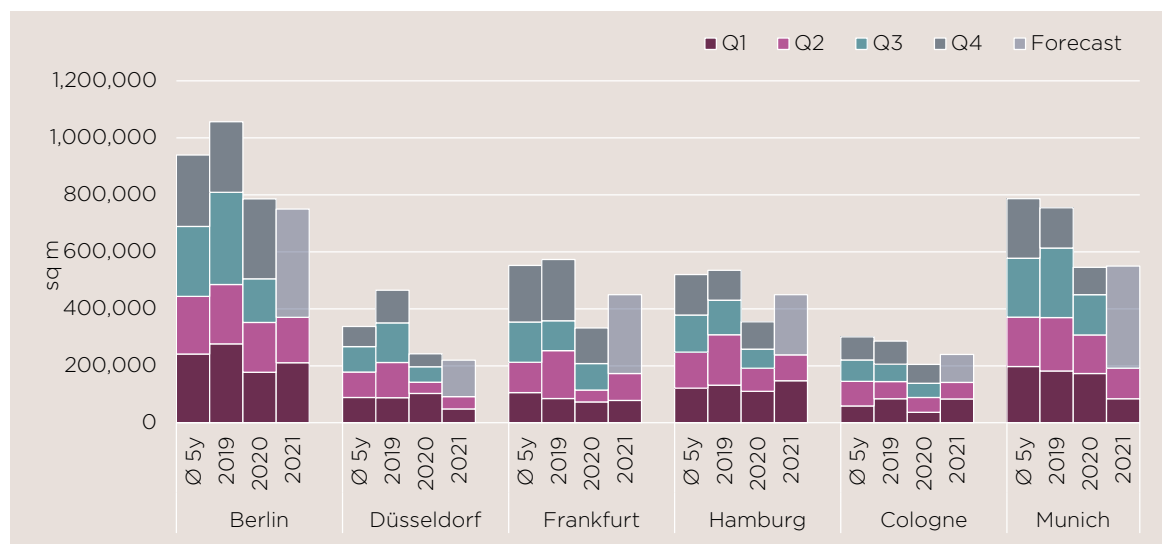


# Top 6 Office Markets



Graph 1: Take-up in the top 6 markets



Source Savills / Note: Ø5y = average last 5 years

## Focus on selected figures



**54%**

This was the pre-let rate in Berlin in the first half of 2019 for the years 2019 to 2021. The pre-let rate for 2019 was 92%.

## Take-up is consolidating

Take-up in the top six office markets of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich totalled 1.2 million sq m in the first half of 2021. This is in line with take-up from the corresponding period last year but is one third below the figure from the first half of 2019. Office take-up in Frankfurt, Hamburg and Cologne rose appreciably while figures in Düsseldorf and Munich fell compared with the first half of 2020. However, these two cities also show the greatest potential to recover. In both cities, the recent take-up is around half the figure from the first six months of 2019. Owing to the lower demand for space, the average vacancy rate across the top six office markets rose moderately to 3.9%. This is 10 basis points higher than in the previous quarter

and 70 basis points higher than in the corresponding period last year. Despite the higher vacancy rate, rents remained stable compared with last year. While the prime rent fell by 0.3% to €35.28 per sq m, the median rent\* rose by 0.2% to €17.67 per sq m.

The office market remains characterised by a great deal of uncertainty. The majority of occupiers are being reticent when it comes to leasing decisions. This is particularly due to the fact that the majority of occupiers are currently still unable to assess how remote working will change the nature of working together going forward. Many companies have already decided that they would like to implement a hybrid



**340,000 sq m**

This was the office take-up in the size category below 1,000 sq m. This is 28% lower than in the first half of 2019.

Table 1: Office market indicators at a glance

	Take-up (sq m)		Vacancy rate (%)		Prime Rent (€ per sq m/month)		Median Rent* (€ per sq m/month)		Average Rent (€ per sq m/month)	
	Q1 - Q2 21	against Q2 20	Q2 21	against Q1 21	Q2 21	against Q1 21	Q2 21	against Q1 21	Q2 21	against Q1 21
Berlin	370,200	+5.1%	2.2	+10bps	39.90	+/-0%	24.50	+2.1%	26.60	-2.2%
Düsseldorf	92,100	-35.5%	6.9	+20bps	28.50	+/-0%	15.25	+1.7%	16.25	+1.6%
Frankfurt	173,200	+50.6%	6.5	+/-0bps	48.00	+/-0%	17.00	+1.5%	20.50	+/-0%
Hamburg	238,300	+24.7%	3.7	+10bps	31.00	+/-0%	15.00	+/-0%	17.70	+1.1%
Cologne	141,300	+59.3%	2.9	+/-0bps	27.25	-2.7%	15.00	+/-0%	18.00	+1.4%
Munich	191,600	-37.8%	3.6	+10bps	37.00	+/-0%	19.50	-2.5%	20.00	+/-0%
<b>Top 6</b>	<b>1,206,700</b>	<b>+0.7%</b>	<b>3.9</b>	<b>+10bps</b>	<b>35.28</b>	<b>-0.4%</b>	<b>17.71</b>	<b>+0.5%</b>	<b>19.84</b>	<b>+0.1%</b>

Source Savills / \* The median rent is the average rent across all letting transactions. Hence, 50% of all lettings lie above the median rent and 50% lie below it. When calculating the median rent, the size of the space in each letting is not factored into the weighting.

working model. However, they are still unable to assess what that will mean for the nature of their future office space or how much office space they will require in order to implement their visions. This reticence is most pronounced among large companies. Consequently, take-up in the size category from 10,000 sq m totalled only approx. 280,000 sq m in the first half of 2021. This is 11% higher than in the first six months of 2020 but approximately 40% lower than in the first half of 2019.

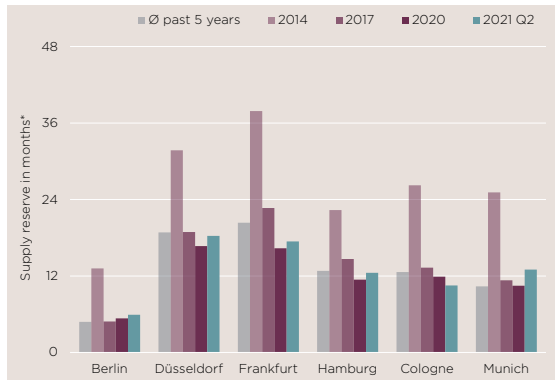
The reticence of office occupiers is also meeting with a rapidly increasing supply of office space. Over the next three years, approximately 5.4 million sq m of office space will be completed in the top six office markets. This equates to average of around 1.8 million sq m per year, which is approximately 60% above the five-year average. The strongest growth in the office supply will be in Berlin. Approximately 2.44 million sq m of space is scheduled for completion in the German capital between 2021 and 2023, which is 90% more than was completed between 2018 and 2020. Around 38% of this is pre-let, which is lower than in recent years.

Nevertheless, nominal rents remained stable both in Berlin and elsewhere. However, incentives granted in all cities are significantly higher than prior to the coronavirus. To what extent nominal rents will remain stable going forward depends strongly on when and the degree to which demand for office space increases again.

We expect take-up over the coming six months to show a moderate increase year on year. It is also reasonable to assume that, in view of the continued modest demand for office space, the vacancy rate will rise further. However, the vacancy rate is not expected to increase on new build property. Modern office space will also be more sought-after going forward in view of the high flexibility of its floor plates and the increasing requirements for ESG conformity on the occupier side.

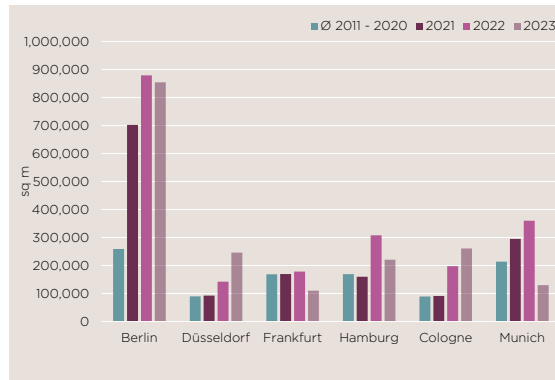
[Download the charts and raw data here](#) ↓

Graph 2: Supply reserve



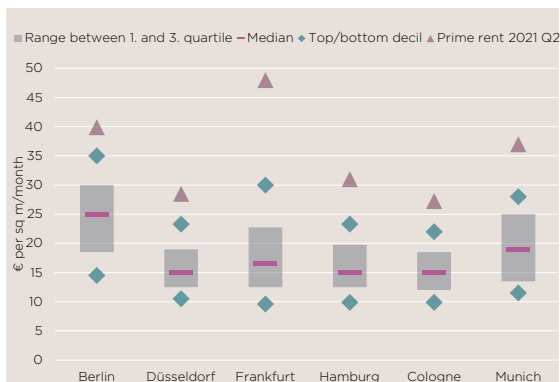
Source Savills / relation between supply (= current vacancy rate) and demand (= average space take-up over the last 3 years)

Graph 3: Pipeline



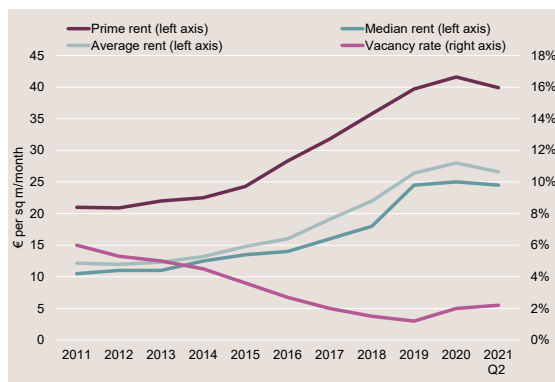
Source Savills

Graph 4: Rental level



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 5: Development of rents and vacancy\*



Source Savills / \* on the average of the top 6

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