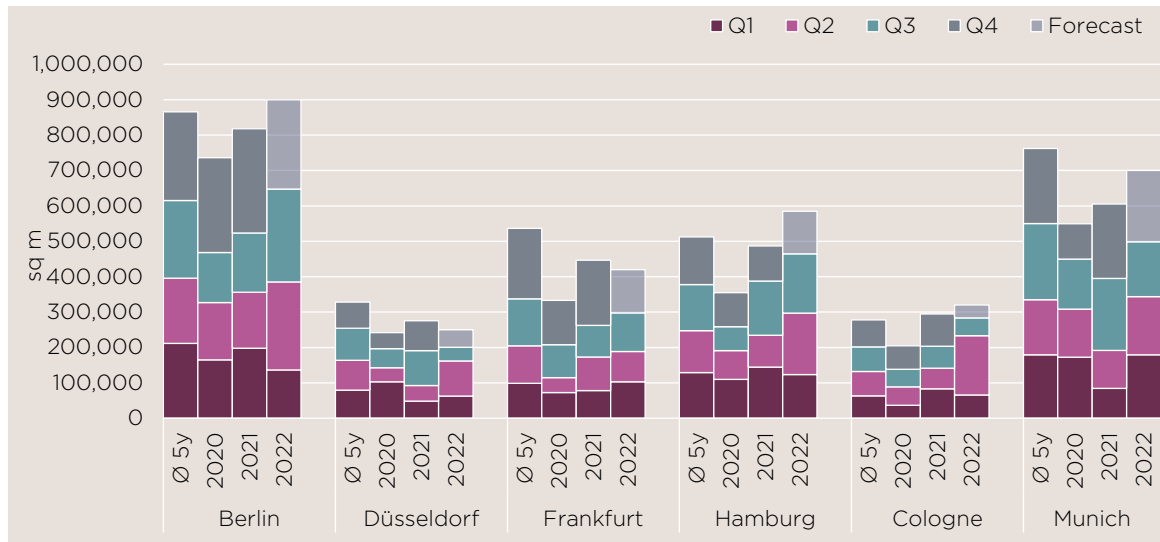


Top 6 Office Markets



Graph 1: Take-up in the top 6 markets



Source Savills / Note: Ø5y = average last 5 years

Focus on selected figures



+ 6 %

In Hamburg, the prime rent rose by more than 6 % in the 3rd quarter. This is by far the highest increase of all the top markets. The median rent in Hamburg even rose by 7 %.



3.2 million

For 2022 we expect take-up in the top 6 markets of just under 3.2 million square metres. It would be the first time since the beginning of the pandemic that the 3 million mark would be reached again.

Tailwind still prevails

The German top six office letting markets experienced both tailwinds and headwinds in the third quarter of the current year, with the former still predominating. While rents rose for the most part compared to the previous quarter despite a slight increase in vacancies, take-up was almost a fifth below the level of the second quarter. Both prime and median rents have risen in the last three months, in some cases sharply, with the strongest increases in Hamburg of 6% and 7% respectively. On average across all six locations, prime rents rose by 2% and median rents by as much as 5%. In some cases, rents stagnated, but no declines were observed. However, the incentives granted by landlords seem to have increased, so that effective rents are likely to have risen less strongly than

nominal rents. Nevertheless, the rising rents should be seen as an expression of the higher demands of office users on the space and its standard of fit-out. In our observation, the higher space requirements in terms of quality often go hand in hand with reduced space needs, especially among large companies. In recent months we have observed numerous lettings in which the users will move into a smaller office, but at the same time pay several times their previous rent per square metre. More and more companies are no longer looking at the rent per square metre. Instead, the focus is increasingly on space costs per employee. The lower per head space requirement could structurally shift the demand for office space towards smaller office sizes. The trend towards

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)	
	Q3 22	against Q3 21	Q3 22	against Q2 22	Q3 22	against Q2 22	Q3 22	against Q2 22	Q3 22	against Q2 22
Berlin	647,600	+23.7%	2.9	+10bps	45.00	+/-0%	26.00	+/-0%	27.61	-0.3%
Düsseldorf	200,800	+5.0%	7.7	+10bps	30.00	+/-0%	16.30	+1.9%	18.40	+2.2%
Frankfurt	298,000	+13.7%	8.3	-20bps	48.00	+/-0%	18.00	+/-0%	23.00	-0.9%
Hamburg	464,600	+19.8%	3.7	-10bps	34.00	+6.3%	17.65	+7.0%	20.70	+3.5%
Cologne	283,400	+39.0%	3.0	+/-0bps	28.50	+2.7%	15.00	+/-0%	17.40	+1.5%
Munich	498,800	+26.3%	4.7	+10bps	44.50	+4.7%	22.00	+2.3%	24.50	+4.7%
Top 6	2,393,200	+21.9%	4.7	+/-0bps	38.33	+2.1%	20.00	+5.3%	21.94	+1.7%

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.

smaller spaces could currently be overlaid by the fact that companies with several locations tend to combine them and thus switch to a larger space segment.

Pressure on owners to act is increasing: Asset management becomes more important

The greater need for change and upgrading on the part of office users is also putting owners under increasing pressure to act. Offering bare office space is often no longer enough, at least in the top segment. From the companies' point of view, the importance of the office has increased so much that they are also demanding more amenities and, for example, are asking for or even expecting a concierge service, a canteen, a day nursery or a coworking space in the property. That offers great opportunities for the owners because the users' willingness to pay for good office space has increased. But they also have to invest in their space in order to be able to convince users of their property in the future. In short: asset management is becoming more important.

Recession makes temporary downturn likely

In our view, the pressure on landlords is also likely to increase in the short term because the slowdown in the economy and the numerous risks and negative factors are likely to temporarily reduce companies' willingness to rent. According to most economic forecasts, the German economy will contract in the coming year. All recessions of the last thirty years have always brought with them a decline in office space turnover. In our opinion, landlords should also prepare for this in the coming year. We are already observing a tendency among German companies in particular to prolong their leases rather than relocate in this environment. The numerous (large) requests in the market could still result in a high take-up in the coming months, but in the medium term it is likely to decline. Rents could also fall again in the coming year for the first time since 2009 - but the upward pressure from rising occupier requirements and the resulting continuing shortage of high-quality office space outweighs the downward pressure. In view of the economic distortions, the German office markets will probably not avoid at least a brief cyclical downturn. However, they are entering this possible downturn from a very, very strong position.

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

Savills Team

Please contact us for further information

Jan-Niklas Rotberg
Director / Head of Office Agency Germany
+49 30 726 165 400
jrotberg@savills.de

Matthias Pink
Director / Head of Research Germany
+49 30 726 165 134
mpink@savills.de

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 39,000 employees worldwide. Savills is present in Germany with more than 350 employees with eight offices in the most important estate sites.

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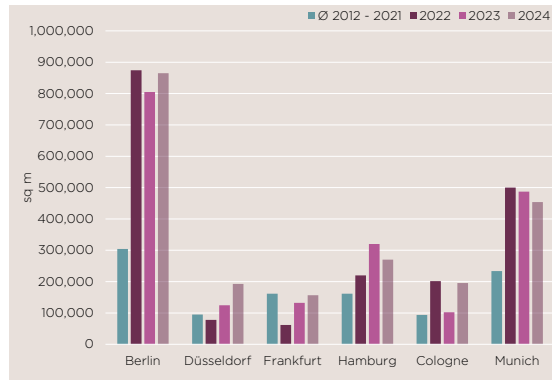


Graph 2: Supply reserve



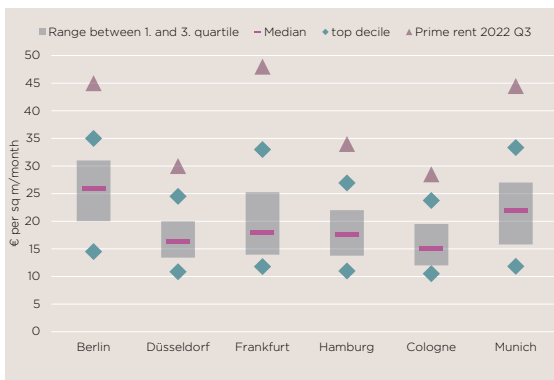
Source Savills / relation between supply (= current vacancy rate) and demand (= average space take-up over the last 3 years)

Graph 3: Pipeline



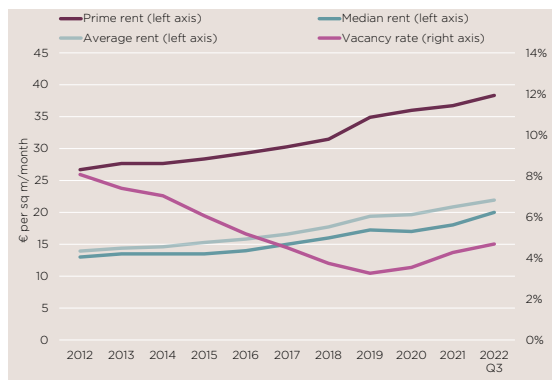
Source Savills

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