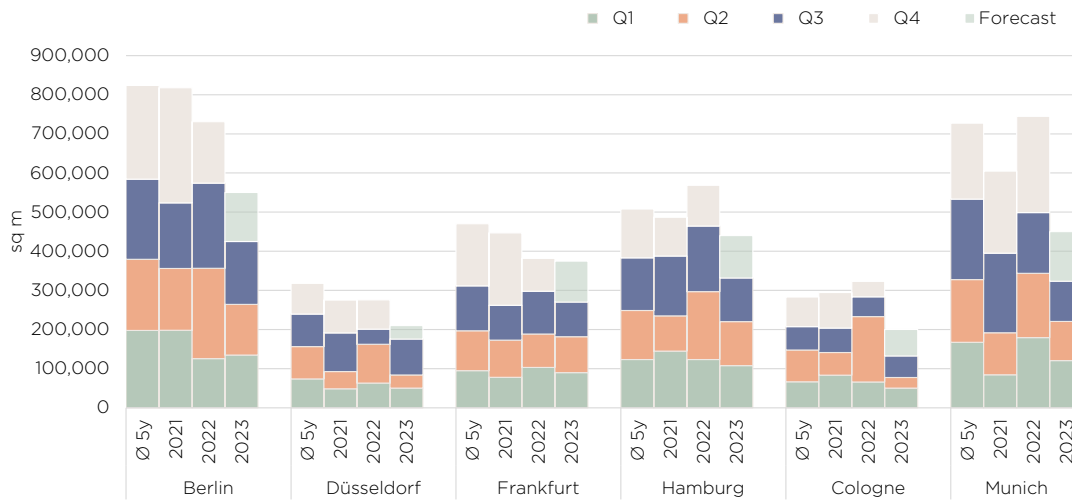


# Top 6 Office Markets



Graph 1: Take-up in the top 6 markets



Source Savills / Note: Ø5y = average last 5 years

## FOCUS ON SELECTED FIGURES



**+2.2%**

Prime rents in the top 6 are rising despite increasing vacancy rates due to continued demand for central, high-quality space.

## Prime rents defy adversity

Demand for space in the top 6 office letting markets remained low in Q3. In addition to the difficult economic environment and the shift towards hybrid working, the insolvencies of project developers are causing uncertainty. Take-up in the 3rd quarter amounted to around 600,100 sq m. Although this exceeded the result of the very weak turnover in the previous quarter by more than 100,000 sq m, the take-up for the course of the year of around 1.6 million sq m remains well below the average for the past five years (2.3 million sq m). Despite the relatively low demand for space and a further increase in vacancy rates, prime rents rose by 2.2% in the 3rd quarter compared with the previous quarter. The increase is attributable to the demand for

central, high-quality space, which is hardly available in many markets in the short term.

### Hybrid working takes hold

The lower demand for space is partly the result of the fact that, according to our observations, many large companies are considering hybrid working models and, in some cases, have already introduced them. All DAX companies, for example, have adopted hybrid working models. The hybrid model offers companies advantages. They can for example save costs, and it is very attractive for employees. It is therefore likely that in the coming years many companies that currently still rely on full office presence will switch to the hybrid model. This would further reduce demand



**40 out of 40**

All DAX-40 companies offer hybrid working. The hybrid model enables cost savings and is very attractive for employees.

Table 1: Office market indicators at a glance

	TAKE-UP (sq m)		VACANCY RATE (%)		PRIME RENT (EUR/M <sup>2</sup> /MONTH)		MEDIAN RENT* (EUR/M <sup>2</sup> )		AVERAGE RENT (EUR/M <sup>2</sup> /MONTH)	
	Q1 - Q3 2023	Y-O-Y CHANGE	2023 Q3	Q-O-Q CHANGE	2023 Q3	Q-O-Q CHANGE	2023 Q3	Q-O-Q CHANGE	2023 Q3	Q-O-Q CHANGE
<b>BERLIN</b>	424,900	-26.0%	4.1	+20bps	47.00	+4.4%	26.50	+/-0%	28.63	+2.3%
<b>DÜSSELDORF</b>	175,600	-12.5%	8.1	+20bps	40.00	+5.3%	17.00	+/-0%	21.20	+0.7%
<b>FRANKFURT</b>	270,500	-9.2%	8.9	+20bps	45.00	+2.3%	20.00	+/-0%	23.75	-1.7%
<b>HAMBURG</b>	321,700	-30.8%	3.8	+10bps	34.00	+/-0%	18.75	+1.4%	21.50	+/-0%
<b>COLOGNE</b>	132,400	-53.3%	3.3	+10bps	35.00	+1.4%	16.50	+3.1%	18.70	+1.4%
<b>MUNICH</b>	323,500	-35.1%	5.1	+20bps	49.75	+/-0%	21.00	-2.3%	24.50	-2.0%
<b>TOP 6</b>	1,648,600	-28.9%	5.2	+20bps	41.79	+2.2%	20.10	+0.5%	23.05	+0.1%

Source Savills

for space, as this switch is often accompanied by a reduction in space. The range here is wide and, depending on the circumstances, can mean between 10% and 60% reduction in space.

**Owners want to retain tenants**

One consequence of the economically lower demand for space and the structural reductions in space are rising vacancy rates. The average vacancy rate in the top 6 cities has risen by 20 basis points to 5.2% in the past three months. We observe that growing vacancies are increasing pressure on landlords, especially for existing space in poorer locations and for space with low quality. Landlords are also striving to keep tenants in the property for this reason. This is reflected in an increasing number of contract extensions. This is often accompanied by good conditions for the tenants, which is likely to be beneficial to them from a cost perspective in the uncertain economic environment.

**Outlook: Uncertain development of prime rents**

In our view, it remains to be seen how prime rents will develop in the coming quarters. On the one hand, the high demand for central, high-quality space suggests

an increase, as these are often hardly available in the short term. On the other hand, it is virtually certain that the vacancy rate will rise due to the structurally lower demand, and with each additional square meter of vacancy, the probability that the prime rent will continue to rise decreases. The recent rise in incentives is one indication of this. In any case, the premium for very good versus less attractive space will remain permanently higher due to increased user demands. The tenant focus on high-quality space opens up opportunities for equity-rich project developers who can build speculatively. The same applies to refurbishments by property owners. This is because a negative spiral could develop on the traditional project developer market, which will lead to a decline in the originally expected volume of new construction: Tenants are shying away from project leases due to the situation on the project development market, but developers cannot build without pre-leasing because they are currently unable to obtain financing for this. Despite the overall lower demand for office space, there is thus a strong indication that the market for high-quality, central office space will continue to tighten.

**SAVILLS TEAM**

Please contact us for further information



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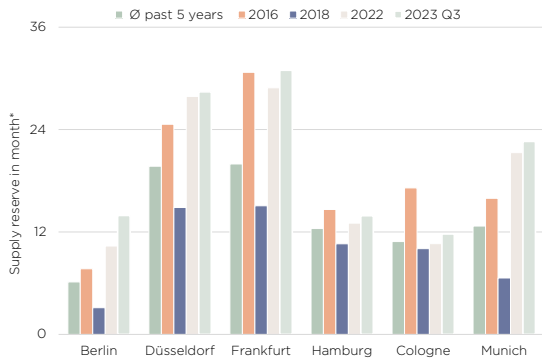
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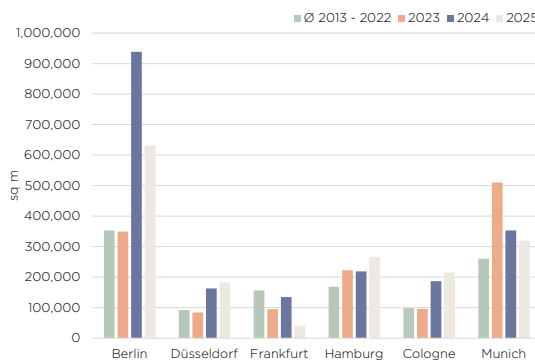
[Download the charts and raw data here](#) ↓

Graph 2: Supply reserve



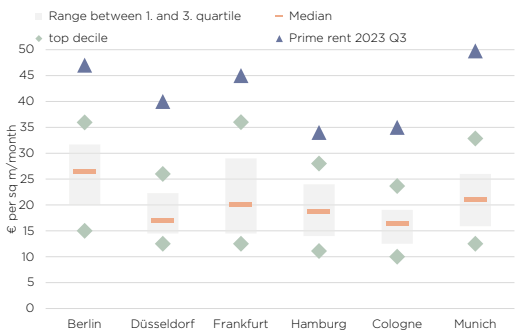
Source Savills / relation between supply (= current vacancy rate) and demand (= average space take-up over the last 3 years)

Graph 3: Pipeline



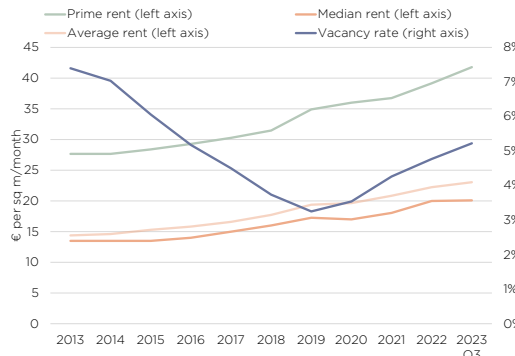
Source Savills

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

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