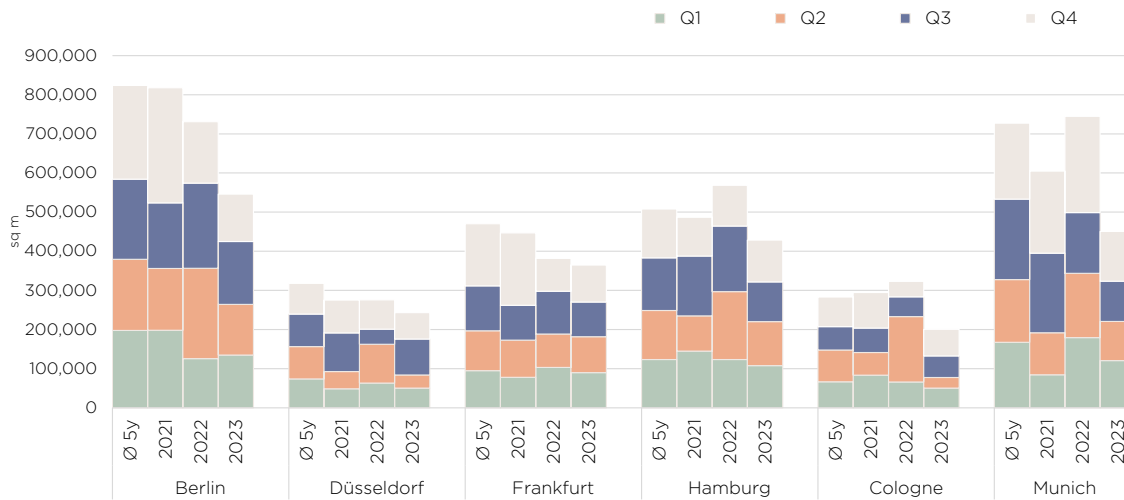


Top 6 Office Markets



Graph 1: Take-up in the top 6 markets



Source Savills / Note: Ø5y = average last 5 years

FOCUS ON SELECTED FIGURES



2.23m sq m

Take-up reached 2.23 million sq m in 2023, the lowest level since 2009 (2.17 million sq m).



0.7%

The volume of office space to be completed that is in the hands of insolvent project developers corresponds to around 0.7% of the office space stock in the top 6 cities.

Postponed relocations pile up

In 2023, we recorded the lowest take-up in the top 6 office letting markets since 2009 at 2.2 million sq m. Compared to the previous year, it was 26% lower. Prime rents rose by 6% over the course of the year. The increase in median and average rents was slightly lower at 2% and 4% respectively. The vacancy rate rose by 80 basis points to 5.6% in the same period. The year was characterised by several factors that hampered demand. In addition to structurally lower demand due to the transition to a hybrid working environment, Germany's poor economic situation had a negative impact on the office letting market. Many users have become much more cost-sensitive and are shying away from risks and thus investments in the current macroeconomic situation,

which are inevitably associated with relocations and new lettings.

Share of contract extensions increases

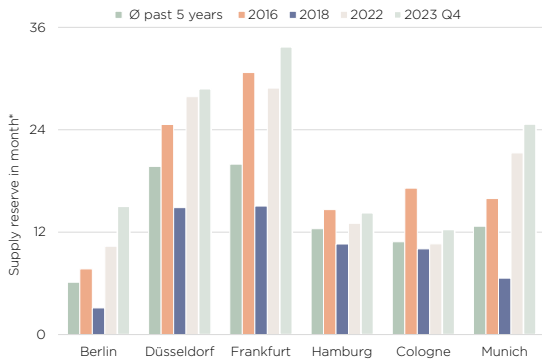
The reduced take-up can also be explained by the fact that an above-average number of companies are refraining from renting new space in the current environment and are extending their existing leases. We have observed that occupiers generally extend their leases by three to five years. This gives them time to consider their future workplace strategies and their space requirements. In our observations, large companies in particular are unsure about what their future work culture should look like. Occupiers are also speculating that the market will develop

Table 1: Office market indicators at a glance

	TAKE-UP (sq m)		VACANCY RATE (%)		PRIME RENT (EUR/ SQ M/MONTH)		MEDIAN RENT (EUR/SQ M)		AVERAGE RENT (EUR/ SQ M/MONTH)	
	Q1 - Q4 2023	Y-O-Y CHANGE	2023 Q4	Q-O-Q CHANGE	2023 Q4	Q-O-Q CHANGE	2023 Q4	Q-O-Q CHANGE	2023 Q4	Q-O-Q CHANGE
BERLIN	546,100	-25.3%	4.4	+30bps	47.00	+/-0%	26.50	-0.7%	28.55	-0.3%
DÜSSELDORF	243,100	-11.8%	8.2	+10bps	40.00	+/-0%	17.00	-2.9%	21.30	+0.5%
FRANKFURT	364,900	-4.4%	9.7	+80bps	45.00	+/-0%	20.00	-0.2%	23.75	+/-0%
HAMBURG	428,500	-24.6%	3.9	+10bps	34.00	+/-0%	19.50	+2.6%	21.50	+/-0%
COLOGNE	200,500	-37.9%	3.5	+20bps	33.90	-3.1%	16.95	+2.7%	19.50	+4.3%
MUNICH	450,500	-39.5%	5.5	+40bps	49.75	+/-0%	21.00	+/-0%	24.50	+/-0%
TOP 6	2,233,600	-26.2%	5.6	+30bps	41.61	-0.4%	20.50	+1.7%	23.18	+0.6%

Source Savills

Graph 2: Supply reserve



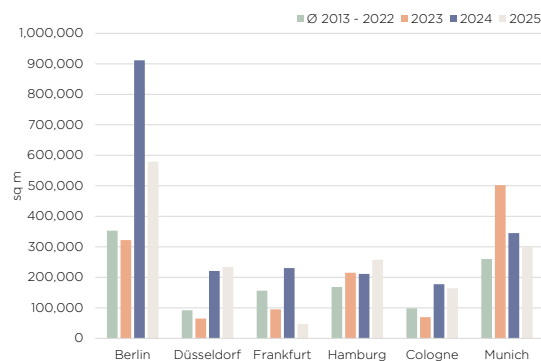
Source Savills / relation between supply (= current vacancy rate) and demand (= average space take-up over the last 3 years)

in their favour. This is because the space currently available often does not meet their requirements or is too expensive. In addition, the wave of insolvencies among project developers has increased reservations about letting in project developments.

Insolvencies create supply gap

This scepticism opens up opportunities for landlords to attract such users to their properties. In addition, the wave of insolvencies on the project developer market could make modern space even scarcer. A look at the office properties of insolvent project developers in the top 6 cities shows that there could be a gap in new-build space, particularly in 2025 and 2026. Almost half of the volume originally planned by insolvent project developers was to be completed in these years and could now be missing or delayed. The top 6 cities are affected to varying degrees by the wave of insolvencies. In Berlin and Düsseldorf, the share of the affected project development volume of 1.3 % of the office space stock is significantly higher than in Frankfurt (0.1%) or Cologne (0.2%). Across all top 6 cities, the share is 0.7%. Even in a worst-case scenario, in which none of the projects would be completed, this would probably have hardly any

Graph 3: Pipeline



Source Savills

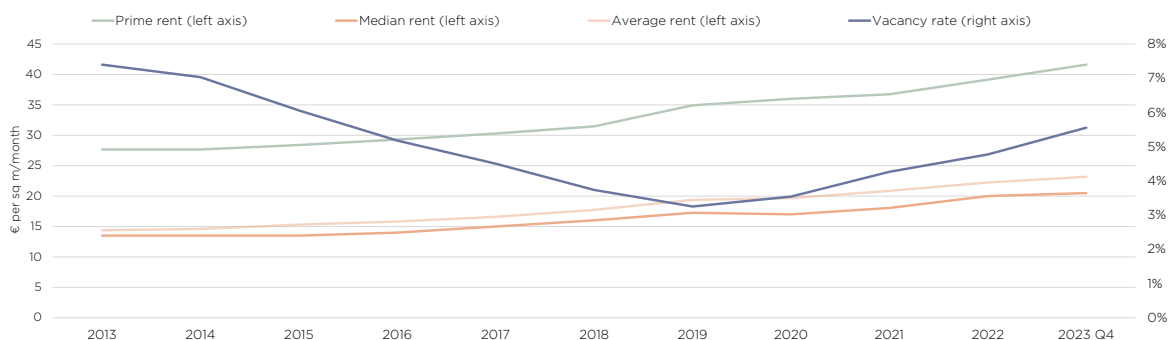
impact on the market parameters given the low share.

Below-average take-up and even more postponed relocations expected this year

As the economic environment is likely to remain tense in 2024 and the processes of adapting to hybrid working will continue, demand for new lettings is likely to remain inhibited for the time being. Vacancy rates are also likely to rise further. Although the wave of insolvencies among project developers could dampen the increase in particularly affected cities, it is unlikely to stop it. For the current year, we again expect take-up to be below the long-term average. However, the above-average number of lease extensions since the start of the COVID-19 pandemic is likely to have led to a relocation backlog, which should resolve itself as soon as the economic environment improves and companies have more clarity about their future space demand. Landlords of space in good locations can position themselves for this by investing in their space, especially as the excess demand for modern space is likely to increase from 2025 due to the expected delay in many project developments.

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

Graph 4: Development of rents and vacancy



Source Savills

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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 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 40,000 employees worldwide. Savills is present in Germany with more than 400 employees with seven offices in the most important estate sites.

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