

Market in Minutes

Germany office markets

Q3 2015



The facts at a glance

Uptrend continues with rising take-up and rents

- Take-up in the top six office markets totalled around 2.3 million sq m in the first three quarters of 2015, representing an increase of almost 20% compared with the corresponding period last year. Take-up over the last 12 months totalled 3.1 million sq m, which was approximately 5% higher than the corresponding figure to the end of the previous quarter.
- With the exception of Hamburg, all markets registered significant increases in take-up year on year, with Düsseldorf (+53%) and Cologne (+29%) witnessing the highest growth.
- The vacancy rate also fell further in all six markets, declining by an average of 60 basis points year on year to 7.1%.
- Both prime and average rents showed overall growth. The average prime rent across all six markets stood at €28.13 per sq m/month at the end of the third quarter, reflecting an increase of 3% year on year. The average rent rose by 8% to €15.07 per sq m/month, breaching the €15 mark for the first time.
- With supply increasingly diminishing and no material improvement in the situation expected in the medium term, this rental growth is likely to continue beyond the end of the year.
- Since there are large outstanding requirements in almost all six markets, which have a high probability of being fulfilled during the remainder of the year, overall take-up for 2015 is expected to reach approximately 3 million sq m. This would represent both an increase of 10% year on year and the highest annual take-up since 2012.

Top six office markets at a glance

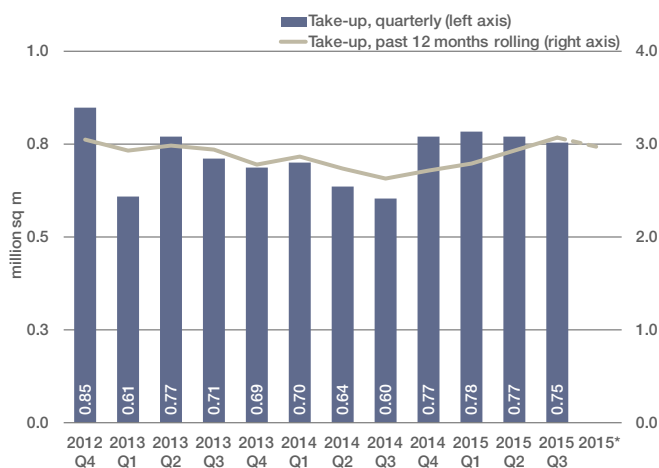
+++ Prime rent +1.4% | Average rent +1.7% | Vacancy rate -30bps +++

TABLE 1
Key office market figures

	Take-up (sq m)				Vacancy rate (%)		Prime rent (€ per sq m/month)		Average rent (€ per sq m/month)	
	Q3 2015	y-o-y change	12 months rolling	q-o-q change	Q3 2015	q-o-q change	Q3 2015	q-o-q change	Q3 2015	q-o-q change
Berlin	647,400	+20.3%	865,200	+5.8%	3.6	-30bps	24.00	+5.7%	14.70	+3.5%
Düsseldorf	279,000	+53.3%	334,300	+16.6%	10.2	+/-0bps	26.00	+/-0.0%	14.00	+5.3%
Frankfurt	286,000	+15.3%	408,000	-0.8%	11.4	-10bps	38.50	+1.3%	18.50	+/-0.0%
Hamburg	356,200	-0.8%	508,100	-5.9%	5.9	-10bps	25.00	+2.0%	14.50	+/-0.0%
Cologne	205,200	+29.3%	271,500	+4.3%	6.6	-50bps	21.25	+/-0.0%	12.80	+/-0.0%
Munich	530,700	+21.4%	686,700	+12.7%	4.9	-90bps	34.00	+/-0.0%	15.90	+1.9%
Top 6	2,304,500	+19.8%	3,073,800	+5.1%	7.1	-30bps	28.13	+1.4%	15.07	+1.7%

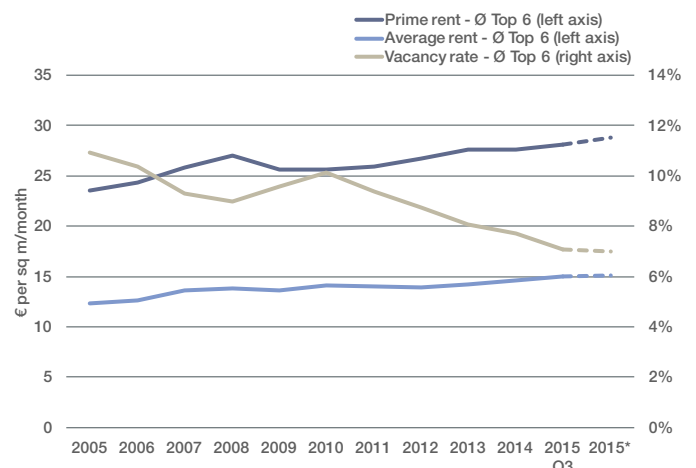
Source: Savills

GRAPH 1
Take-up in the top 6



Source: Savills / * forecast

GRAPH 2
Rental levels and vacancy rate



Source: Savills / * forecast

Top six market in minutes

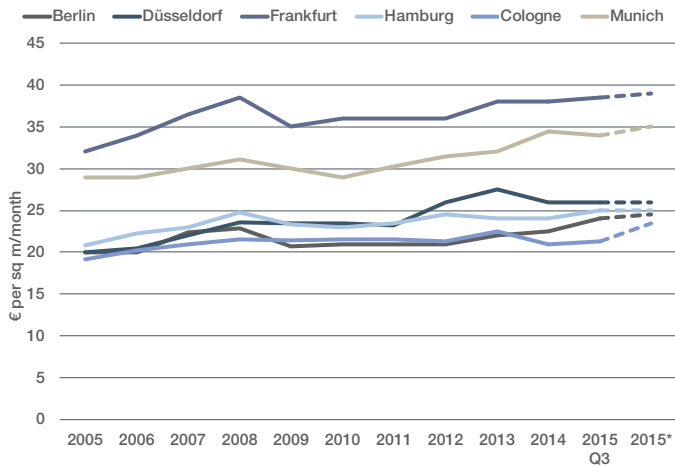
Pipeline for the fourth quarter promises strong take-up to end the year

- Office take-up across the top six markets totalled 2.3 million sq m, representing an increase of 20% compared with the corresponding period last year. Take-up over the last 12 months totalled 3.1 million sq m (+5% compared with the 12-month take-up to the end of Q2 15). The prime rent rose by 2.8% year on year to €28.13 per sq m/month while the vacancy rate fell by 60 basis points year on year to 7.1%.
- However, the market situation is not entirely positive in all markets. Following the period of consolidation in the financial sector, demand in Frankfurt is expected to be lower over the long term, resulting in lower take-up compared to the long-term average.
- Since there are large outstanding requirements in almost all six markets, which have a high probability of being fulfilled during the remainder of the year, overall take-up for 2015 is expected to reach approximately 3 million sq m. This would represent both an increase of 10% year on year and the highest annual take-up since 2012.

Top six office markets at a glance

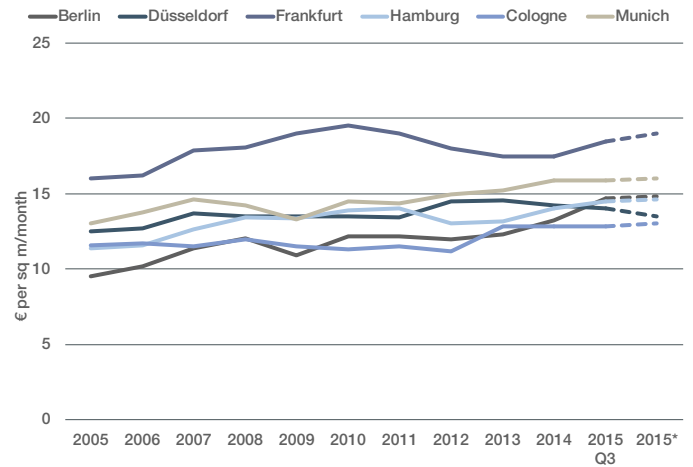
+++ Development pipeline 2016: 1.15 million sq m | Increase in employment: +0.5% +++

GRAPH 3
Prime rent by location



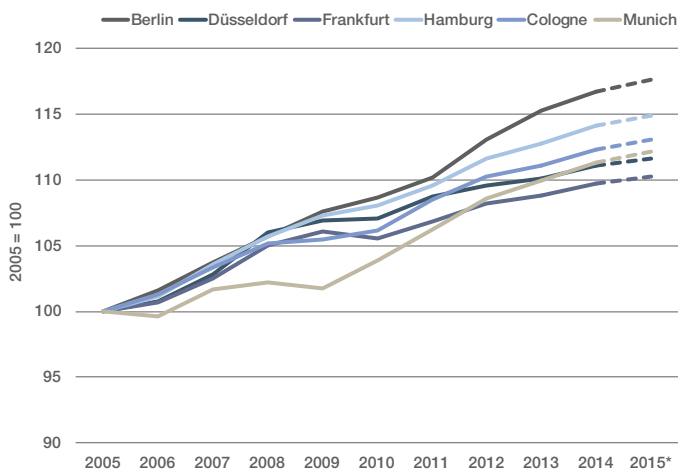
Source: Savills / * forecast

GRAPH 4
Average rent by location



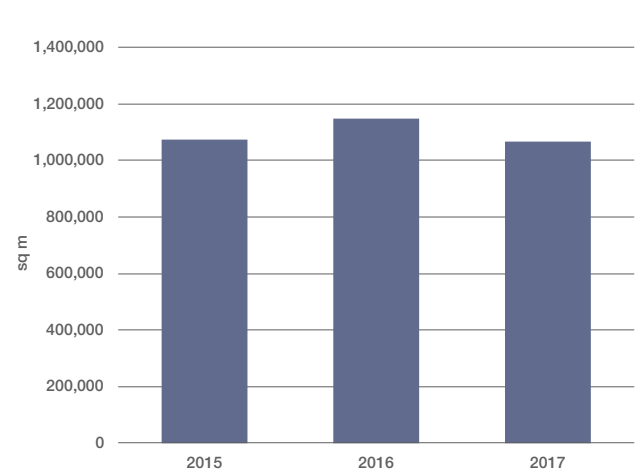
Source: Savills / * forecast

GRAPH 5
Office employment



Source: Oxford Economics / * forecast

GRAPH 6
Development pipeline



Source: Savills

TABLE 2
The largest letting transactions in Q3 2015 at a glance*

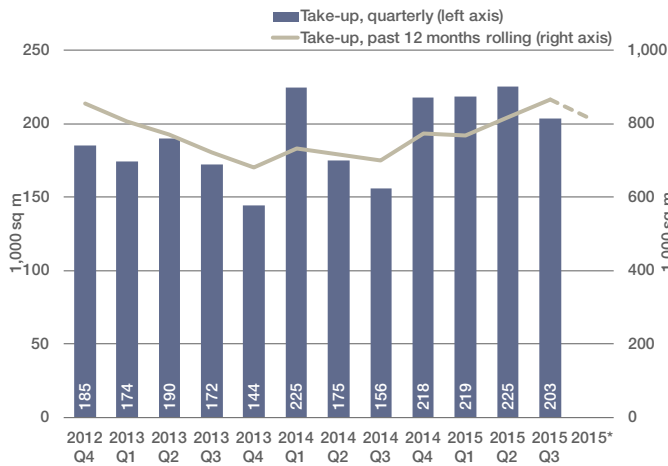
Location	Tenant	Office space (sq m)
Düsseldorf	Deutsche Telekom	approx. 22,800
Berlin	KPMG	approx. 14,000
Berlin	Roever Broenner Susat Mazars	approx. 11,900
Munich	Unify	approx. 7,500
Berlin	Berliner Immobilienmanagement	approx. 7,000

Source: Savills / * only published transactions are shown

Berlin

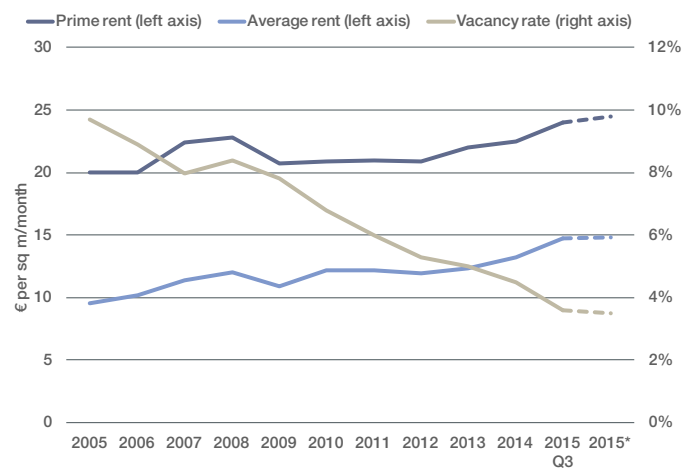
+++ Prime rent +5.7% | Average rent +3.5% | Vacancy rate -30bps +++

GRAPH 7
Take-up



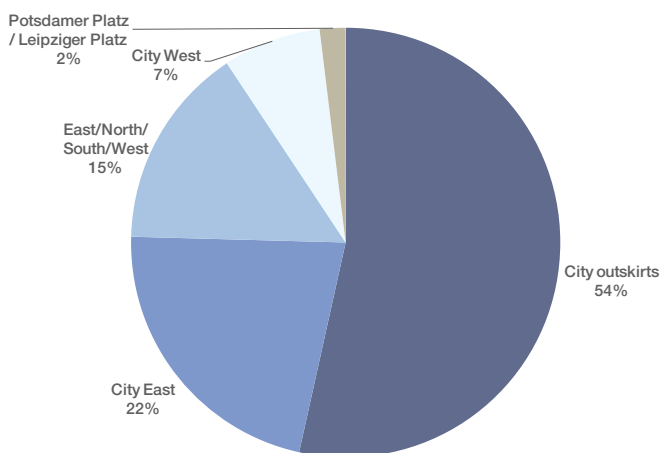
Source: Savills / * forecast

GRAPH 8
Rental levels and vacancy rate



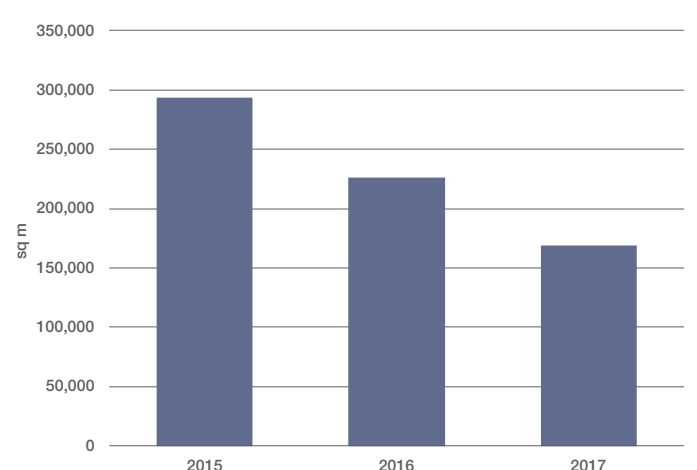
Source: Savills / * forecast

GRAPH 9
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 10
Development pipeline



Source: Savills

Berlin market in minutes

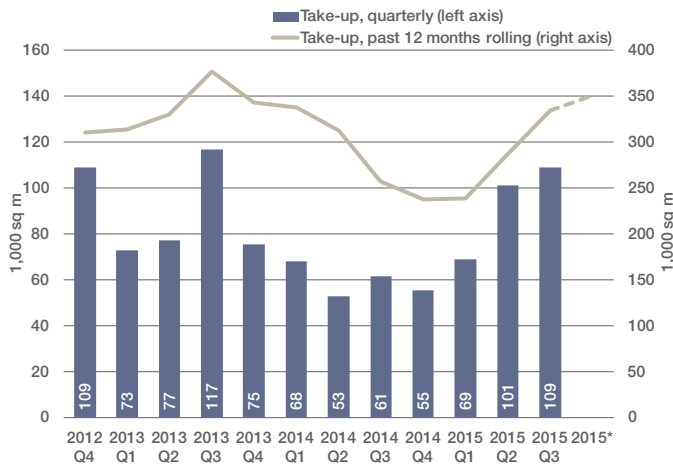
Take-up expected to exceed 800,000 sq m despite surplus demand

- Office take-up during the first three quarters of 2015 stood at 647,400 sq m (+20% year on year). Take-up over the last 12 months totalled 865,200 sq m (+6% compared with the 12-month take-up to the end of Q2 15). The prime rent rose by 9.6% year on year to €24.00 per sq m/month while the vacancy rate fell by 100 basis points year on year to 3.6%.
- Market activity is dominated by two sectors. The information and communication sector accounts for more than a third of take-up during the year to date. Together with companies from the service sector, these two sectors of the economy account for 60% of overall take-up.
- This trend is also expected to continue into the fourth quarter. Both prime and average rents should rise further until the end of the year. Take-up is likely to surpass the 800,000 sq m mark, making 2015 the strongest year in terms of take-up since 2012.

Düsseldorf

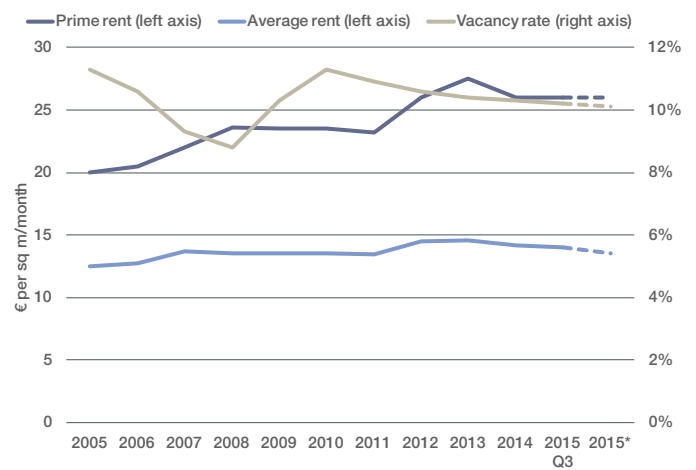
+++ Prime rent +/-0.0% | Average rent +5.3% | Vacancy rate +/-0bps +++

GRAPH 11
Take-up



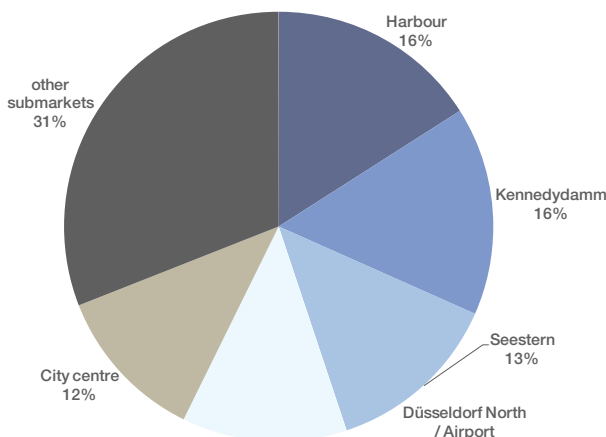
Source: Savills / * forecast

GRAPH 12
Rental levels and vacancy rate



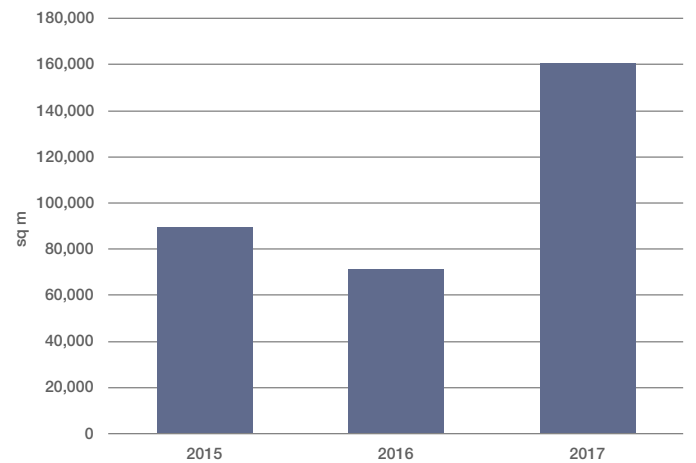
Source: Savills / * forecast

GRAPH 13
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 14
Development pipeline



Source: Savills

Düsseldorf market in minutes

Two large deals account for take-up growth of more than 50%

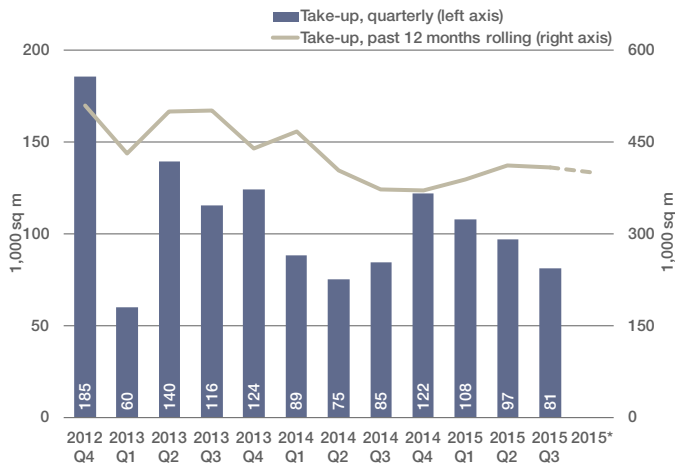
- Office take-up during the first three quarters of 2015 stood at 279,000 sq m (+53% year on year). Take-up over the last 12 months totalled 334,300 sq m (+17% compared with the 12-month take-up to the end of Q2 15). The prime rent fell by 1.9% year on year to €26.00 per sq m/month while the vacancy rate fell by 60 basis points year on year to 10.2%.
- Seestern is once again becoming increasingly popular with occupiers. The district offers large amounts of recently modernised space at attractive rents to tenants. Furthermore, many landlords have now started to let smaller unit sizes, appealing to a variety of occupiers in the small and mid-sized segments. In addition to one major deal, a number of leases on large and various smaller units are on the verge of completion.
- No further material changes in rental levels or the vacancy rate are expected during the remainder of the year. Overall take-up for the year is expected to total around the 350,000 sq m mark.

Frankfurt

+++ Prime rent +1.3% | Average rent +/-0.0% | Vacancy rate -10bps +++

GRAPH 15

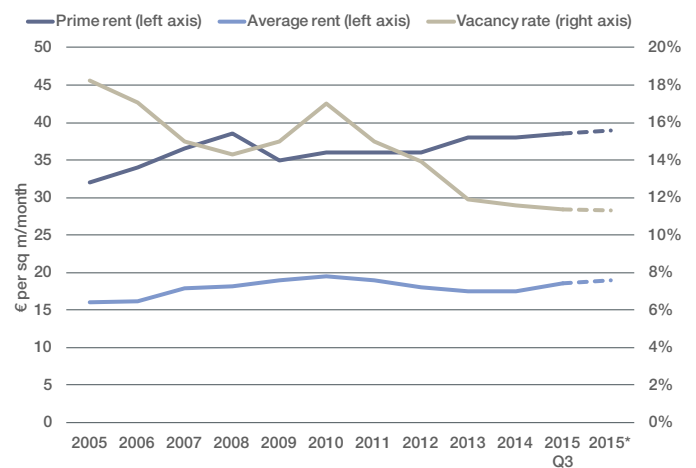
Take-up



Source: Savills / * forecast

GRAPH 16

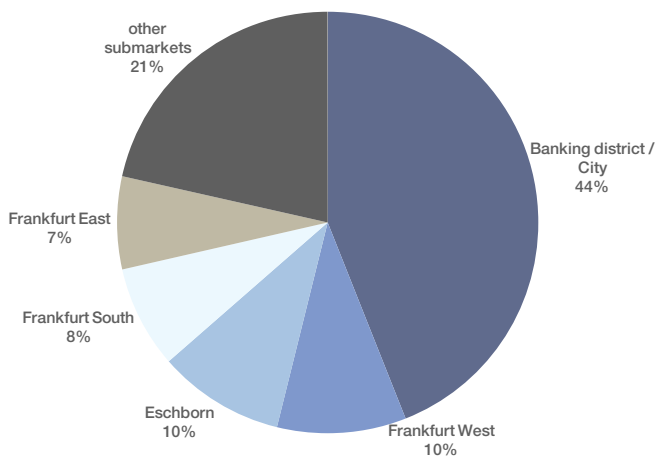
Rental levels and vacancy rate



Source: Savills / * forecast

GRAPH 17

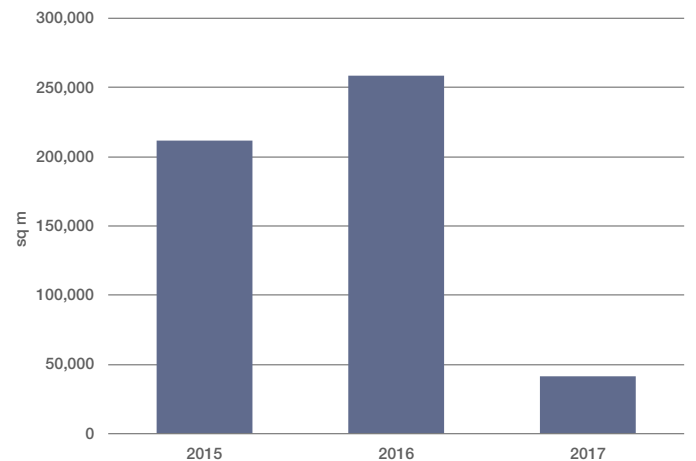
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 18

Development pipeline



Source: Savills

Frankfurt market in minutes

Take-up remains below average - rents increase slightly

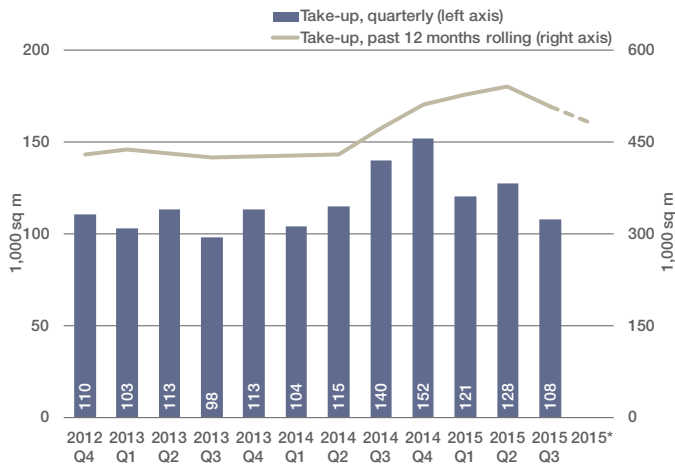
- Office take-up during the first three quarters of 2015 stood at 286,000 sq m (+15% year on year). Take-up over the last 12 months totalled 408,000 sq m (-1% compared with the 12-month take-up to the end of Q2 15). The prime rent rose by 1.3% year on year to €38.50 per sq m/month while the vacancy rate fell by 20 basis points year on year to 11.4%.
- Following the period of consolidation in the financial sector, demand in the Frankfurt office market is expected to be lower over the long term, resulting in lower take-up compared to the long-term average.
- Furthermore, more than 300,000 sq m of new office space is scheduled to come to the market over the next two years, which will further intensify competition for potential new tenants. More than half of this space is still available to let.

Hamburg

+++ Prime rent +2.0% | Average rent +/-0.0% | Vacancy rate -10bps +++

GRAPH 19

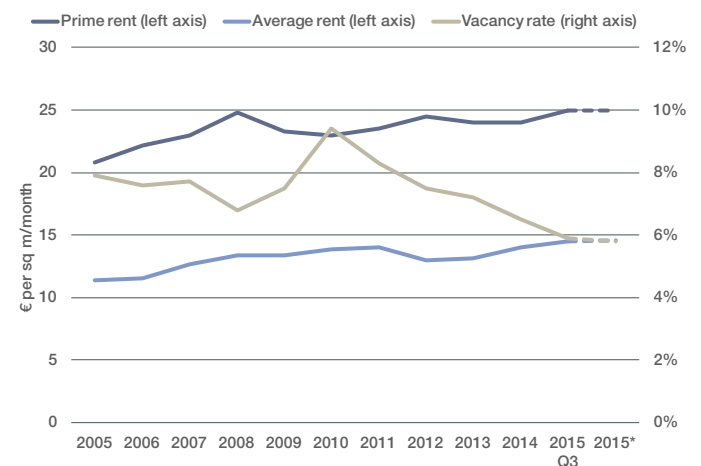
Take-up



Source: Savills / * forecast

GRAPH 20

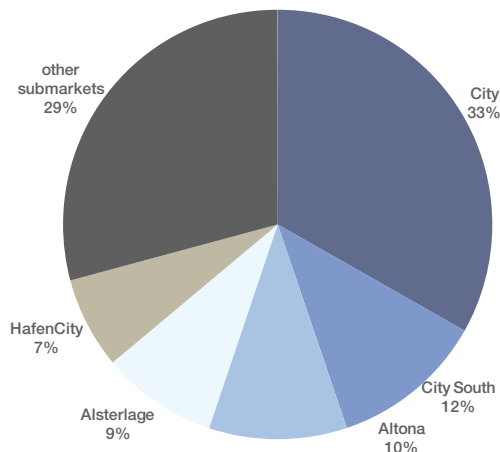
Rental levels and vacancy rate



Source: Savills / * forecast

GRAPH 21

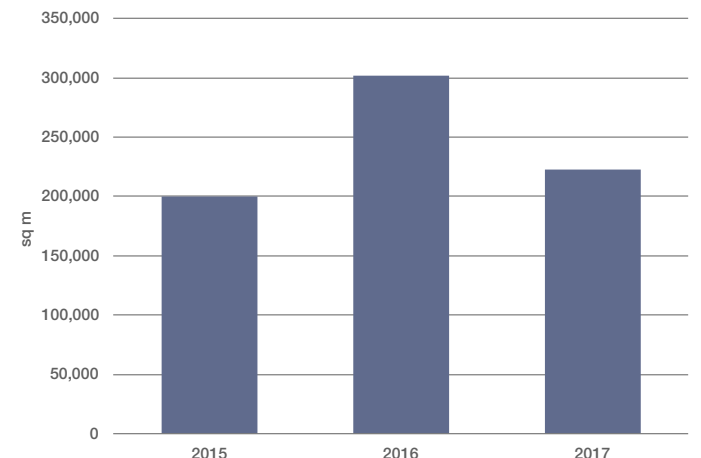
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 22

Development pipeline



Source: Savills

Hamburg market in minutes

Strong finish to the year expected with high take-up and rising rents

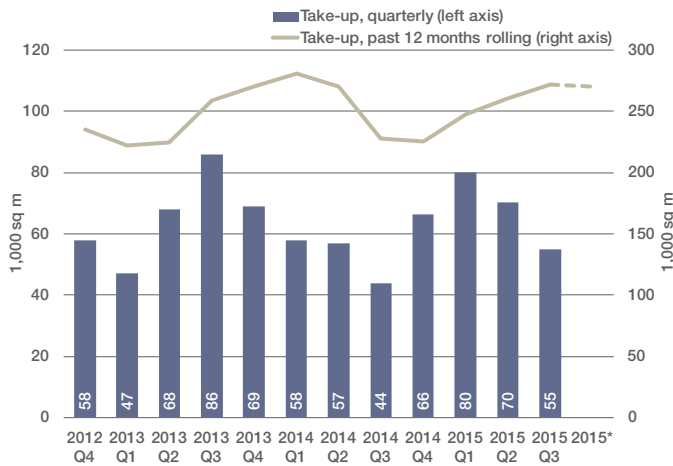
- Office take-up during the first three quarters of 2015 stood at 356,200 sq m (-1% year on year). Take-up over the last 12 months totalled 508,100 sq m (-6% compared with the 12-month take-up to the end of Q2 15). The prime rent rose by 4.2% year on year to €25.00 per sq m/month while the vacancy rate fell by 70 basis points year on year to 5.9%.
- The City submarket accounted for around one third of take-up while a further third was attributable to nearby surrounding submarkets such as City South and Altona. The submarkets close to the city centre represent particularly interesting alternatives since there is still available supply in these areas. In the City submarket, on the other hand, there is a significant shortage of space, which is increasingly allowing landlords to somewhat reduce incentives.
- The pipeline for the fourth quarter is very strong. Consequently, it is not unrealistic that take-up will reach the 500,000 sq m mark by the year end, which would be slightly above the ten-year average (470,000 sq m).

Cologne

+++ Prime rent +/-0.0% | Average rent +/-0.0% | Vacancy rate -50bps +++

GRAPH 23

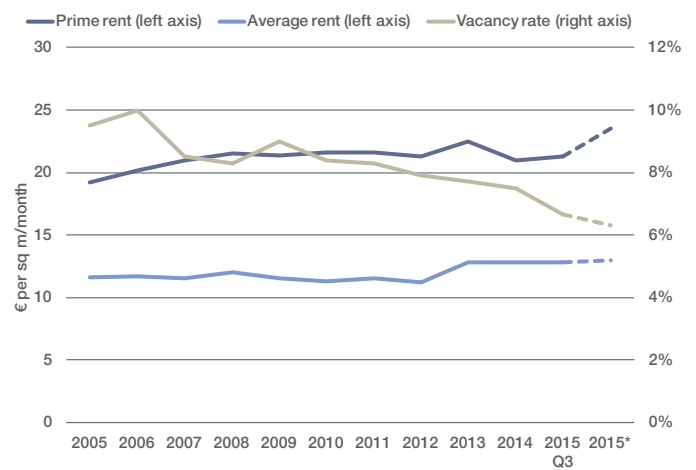
Take-up



Source: Savills / * forecast

GRAPH 24

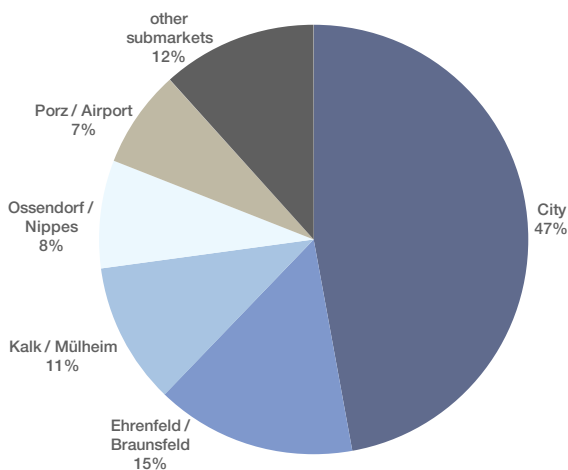
Rental levels and vacancy rate



Source: Savills / * forecast

GRAPH 25

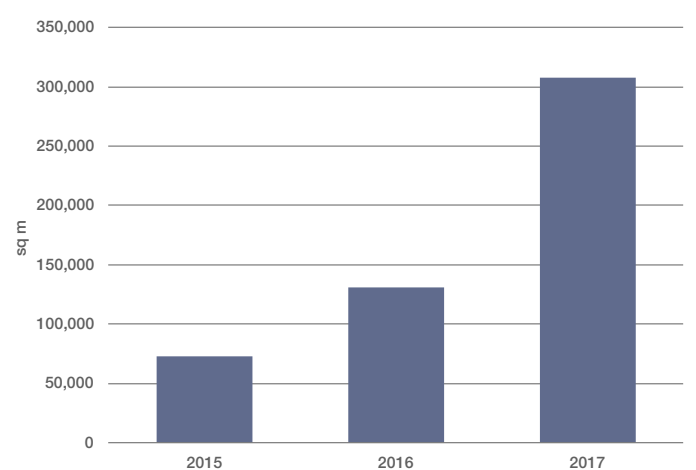
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 26

Development pipeline



Source: Savills

Cologne market in minutes

Net absorption is reducing the vacancy rate - rents expected to rise

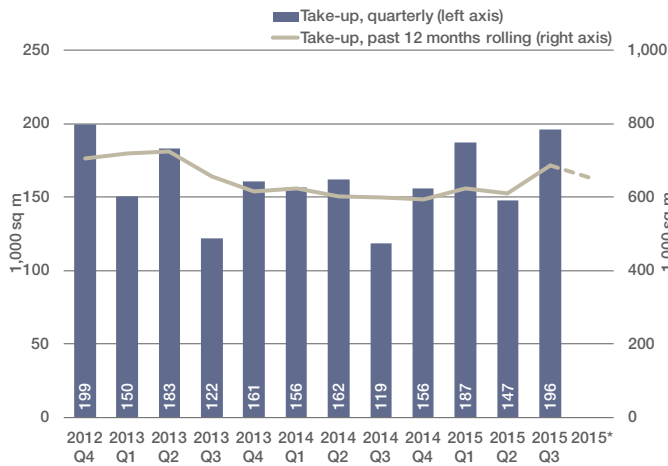
- Office take-up during the first three quarters of 2015 stood at 205,200 sq m (+29% year on year). Take-up over the last 12 months totalled 271,500 sq m (+4% compared with the 12-month take-up to the end of Q2 15). The prime rent fell by 0.7% year on year to €21.25 per sq m/month while the vacancy rate fell by 20 basis points year on year to 6.6%.
- Availability of new development sites in Cologne is limited. Following Zürich Versicherung's decision to locate to MesseCity, there will further land reserves be raised for new build offices in the popular Deutz district. Initial construction on MesseCity for Zürich could prove a catalyst for further developments.
- The last existing larger space reserves were let during the course of this year. This net absorption has resulted in a further decline in the vacancy rate.

Munich

+++ Prime rent +/-0.0% | Average rent +1.9% | Vacancy rate -90bps +++

GRAPH 27

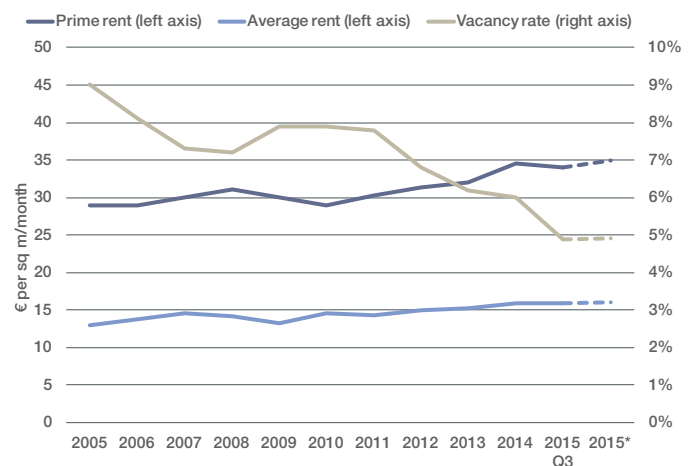
Take-up



Source: Savills / * forecast

GRAPH 28

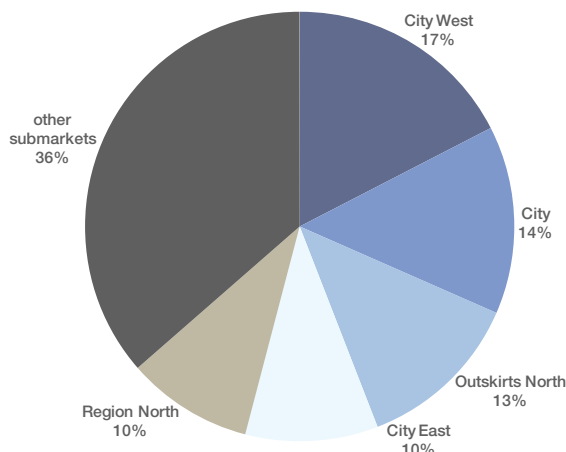
Rental levels and vacancy rate



Source: Savills / * forecast

GRAPH 29

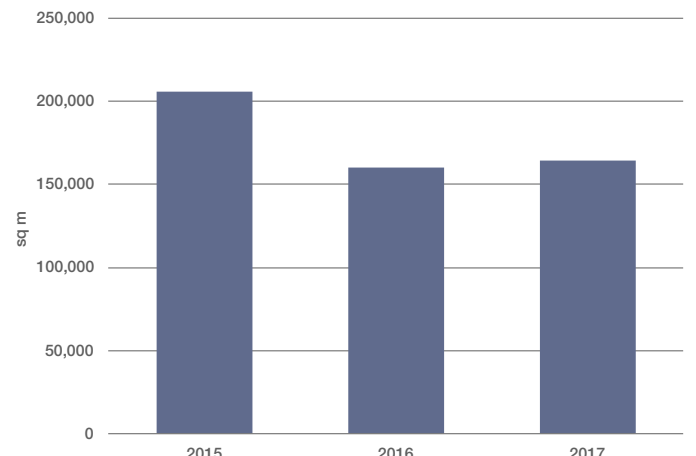
Take-up by submarket*



Source: Savills / *past 12 months

GRAPH 30

Development pipeline



Source: Savills

Munich market in minutes

IT and electronics industry account for high take-up in the third quarter

- Office take-up during the first three quarters of 2015 stood at 530,700 sq m (+21% year on year). Take-up over the last 12 months totalled 686,700 sq m (+13% compared with the 12-month take-up to the end of Q2 15). The prime rent fell by 1.4% year on year to €34.00 per sq m/month while the vacancy rate fell by 110 basis points year on year to 4.9%.
- Companies in the IT and electronics industry were particularly active over the last three months. The four largest lettings were all attributable to the sector, albeit none of these were larger than 10,000 sq m. All four deals were also outside of the city centre.
- The shortage of space in the centre is becoming increasingly acute since this submarket is particularly affected by a lack of supply. Availability is now so limited that the market is generally lacking in flexibility. For prospective tenants, this means that longer lead times are required.

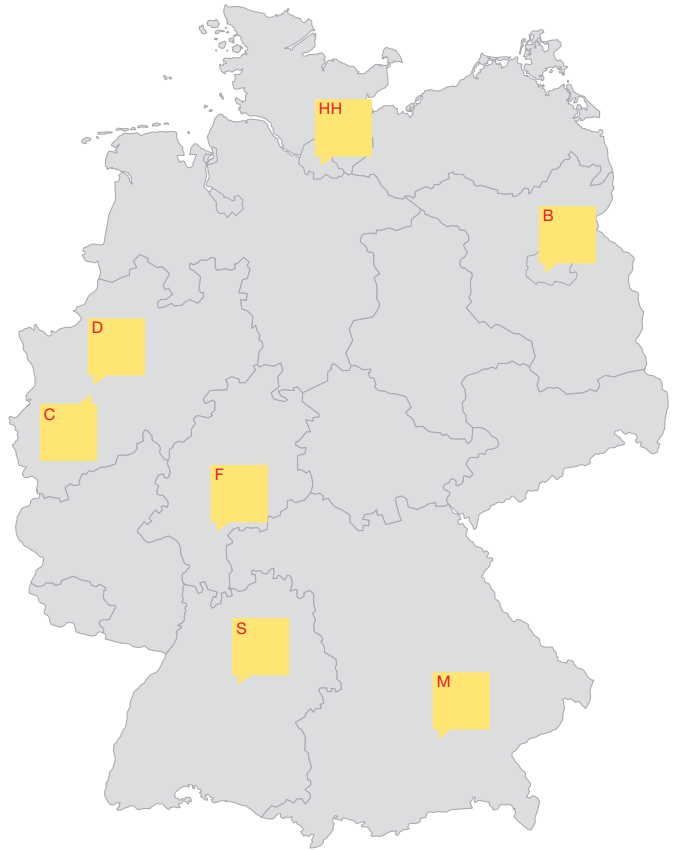
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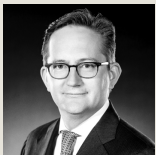
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