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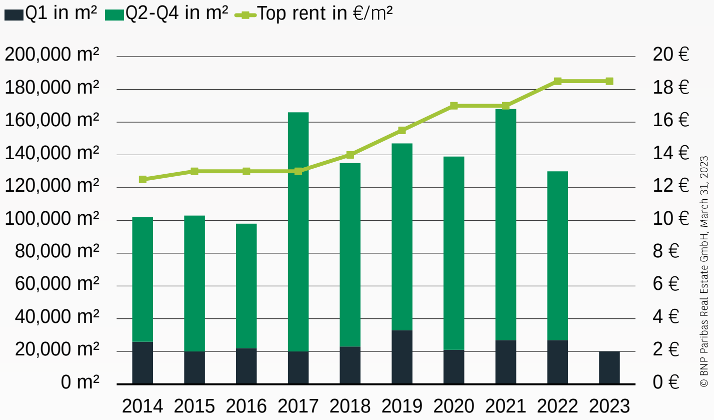
RESEARCH

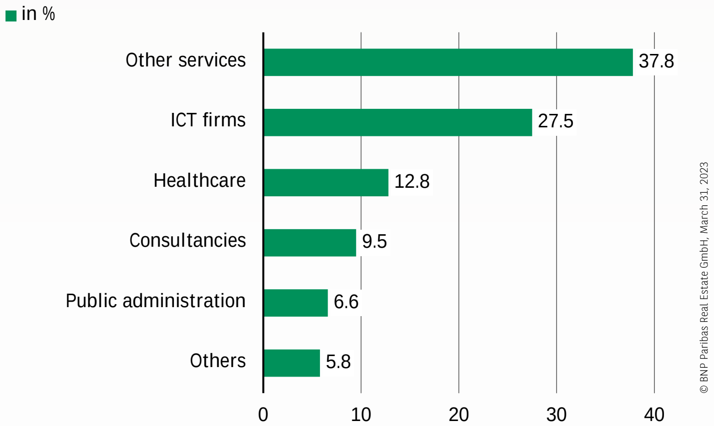
At a Glance Q1 2023

OFFICE MARKET LEIPZIG

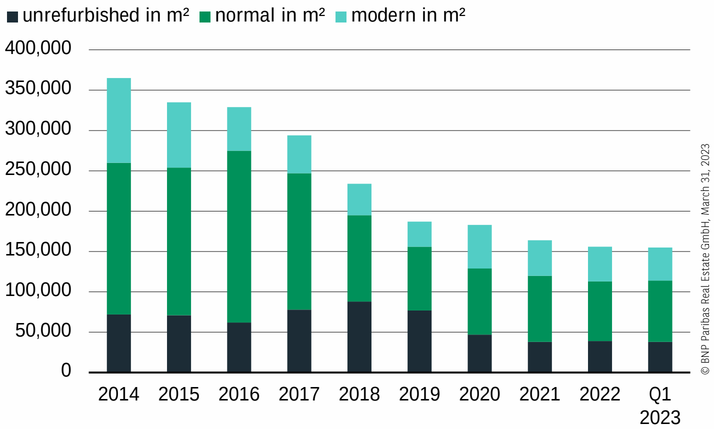
Development of take-up and top rents



Take-up by sector Q1 2023



Development of vacant space



20,000 M² MARK REACHED, RESULT SLIGHTLY BELOW AVERAGE

The Leipzig office market review on a satisfactory start to the year in the first quarter, particularly against the background of the continuing tense economic conditions. With a total take-up of 20,000 m², the result is once again in the range of 20,000 to 30,000 m² after the first three months, just as in the previous year (27,000 m²) and the long-term average (24,000 m²). In terms of size categories, lettings between 1,000 and 2,000 m² so far emerged as the most important pillars of the total volume, accounting for almost 39% of the result. In terms of the distribution of take-up across the market area, the Centre Fringe (10,900 m²) and Subcentres (5,000 m²) once again protruded, accounting for almost 80% of the letting activity. In the City Centre (2,100 m²), on the other hand, only isolated small-scale lettings have been registered so far this year.

TOP DUO: OTHER SERVICES AND ICT

In the distribution of take-up by sector, the other services, accounted for some of the larger contracts, are in the lead with almost 38%. However, ICT firms also generated a significant share of take-up, contributing almost 28%. Thus, these two top sectors generated about two-thirds of the total result in the first quarter and accounted for the bulk of the market activity together. In the ICT sector, one of the largest contracts in the first three months the 1,700 m² expansion of the Appsfactory in the Stadtfenster office complex can be registered. Apart from those two leading sectors, the most active demand groups since the beginning of the year include in particular the healthcare sector (almost 13%), consultancies (almost 10%) and public administration (around 7%).

FURTHER REDUCE IN VACANCY YEAR-ON-YEAR

The reduction in vacancies has continued over the past 12 months. Thus, at the end of the first quarter, a total of 155,000 m² was available at short notice, which is about 4% less than in the previous year. In contrast, the level of modern fitout space has hardly changed. At 41,000 m², almost 27% of the total volume corresponds to this category, which is most in demand on the market. The Graphisches Viertel/Prager Straße and Leipzig North-east office market zones have the largest amount of modern space available in short-term. The vacancy rate for the market as a whole has fallen to 4%.

Major contracts

Sub-market	Company	m²
2.5	Other services	2,300
2.1	Appsfactory	1,700
2.5	ICT firms	1,400
3.4	Other services	1,300
2.5	Healthcare	1,000

SLIGHT INCREASE IN CONSTRUCTION ACTIVITY

Due to the still very low vacancy volume and overall high demand, construction activity has already picked up since 2021. This trend continued in the first quarter, meaning the current construction volume of 182,000 m² is almost 26% higher than 12 months previously. Of this, 82,000 m² (pro rata 45%) is currently still available to the market. However, the construction volume is likely to decline in the further course of 2023, as more space is completed than new projects are initiated. Nevertheless, the high level of construction activity over the last few years impressively underlines the great confidence in the long-term prospects of the market.

Trends in important market indicators

	Q1 2022	Q1 2023	Trend remaining year
Take-up	27,000 m²	20,000 m²	↗
Vacant space	162,000 m²	155,000 m²	→
Space under construction (total)	145,000 m²	182,000 m²	↘
Space under construction (available)	44,000 m²	82,000 m²	↗
Top rent	17.00 €/m²	18.50 €/m²	↗

RENTS UP ON PREVIOUS YEAR, BUT CONSTANT IN Q1

The rent level has risen further, above all due to the limited supply of space with modern fittings. While the average rent rose by 7% year-on-year to 11.90 €/m², the top rent rose by almost 9% to 18.50 €/m². The highest rents continue to be achieved for premium space in the City Centre. However, no further rent increases have yet been observed at the beginning of the year, neither at the top nor on average level.

OUTLOOK

Although the Leipzig office market achieved a moderate result in the first quarter, the challenging overall economic situation did not leave Leipzig unscathed, just as it did other top office locations. However, the high level of construction activity, which represents the attractiveness of Leipzig as a business location and significantly increases the scarce supply of modern office space, can be seen as a positive signal. Accordingly, from today's perspective, a noticeable market recovery can be expected in the second half of the year at the latest.

Key indicators Q1 2023

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	Q1 2023	total	modern	of this, since completion	total	available	available	projected
Submarkets**		1		2	3	4	5	6	7	8 = (3 + 7)	9
1	City Centre										
1.1	City Centre		18.50	2,100	9,300	2,800	0	23,400	21,400	30,700	10,400
2	Centre Fringe/ Centre Relief Area	11.00	17.50	10,900	31,500	8,100	800	50,900	26,400	57,900	137,800
3	Subcentres	9.00	15.00	5,000	96,400	27,500	200	69,300	27,500	123,900	307,200
4	Periphery		9.00	2,000	17,800	2,600	0	38,400	6,700	24,500	33,600
	Total			20,000	155,000	41,000	1,000	182,000	82,000	237,000	489,000

* The top rent given applies to a market segment of 3-5 % in each case.
** The relevant office market zone can be found on our website under "Research".

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