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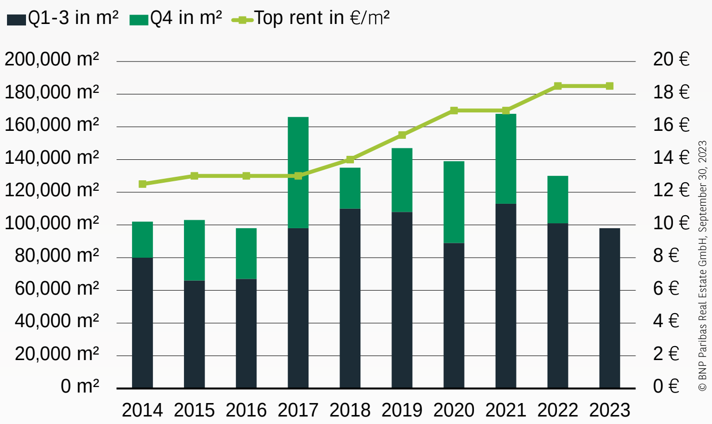
RESEARCH

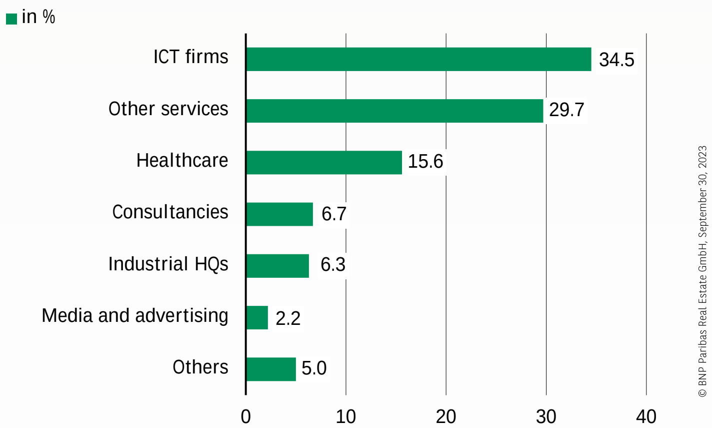
At a Glance Q3 2023

OFFICE MARKET LEIPZIG

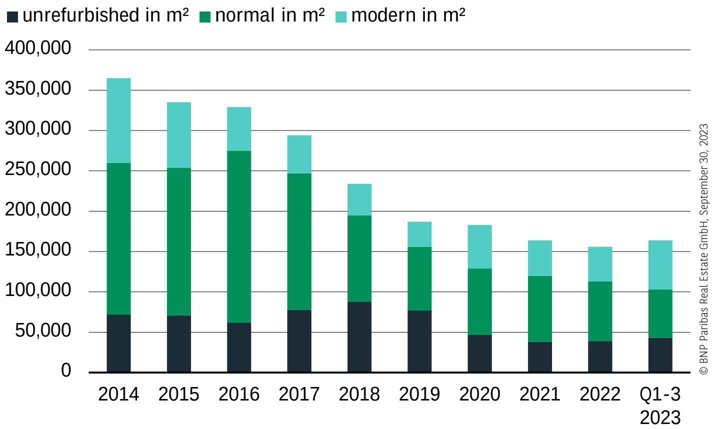
Development of take-up and top rents



Take-up by sector Q1-3 2023



Development of vacant space



LEIPZIG OFFICE MARKET DEFIES DIFFICULT ENVIRONMENT

In contrast to almost all other major German office locations, the Leipzig office market is defying the difficult economic environment. In the first three quarters, it once again achieved a very good result with 98,000 m² of take-up, which is only 3% below the comparable figure for the previous year. At the same time, the ten -year average take-up was even exceeded by 5%. By contrast, the average for major office locations was 32% lower than in 2022, confirming once again how stable the demand base in Leipzig has become and, above all, that the economic upturn and structural change are continuing unabated. The very good result benefited not least from a large-volume owner-occupier contract signed by an IT company for 18,500 sqm. Contracts above the 10,000 m² mark were a rarity in the past. The fact that such a deal was concluded in the current difficult macroeconomic environment also reflects Leipzig's sustained attractiveness for innovative office users. The Ringlage (22,500 m²), the Graphisches Viertel/Prager Straße (13,800 m²) and the Leipzig West office market zone (14,500 m²) in particular accounted for a substantial share of total take-up.

ICT FIRMS AT THE TOP

As a result of the major letting of over 18,500 m², ICT firms took the lead in the sector distribution in the current year with a share of just under 35% of take-up. In second place comes the collective category of other services with almost 30%, which is traditionally very strongly represented in Leipzig, as the majority of market activity usually takes place in the heterogeneously structured small-space segment. The podium is completed by the healthcare sector, which once again confirms its usual strong position with just under 16%. Larger shares have also been allocated to consulting companies (just under 7%) and the administrative headquarters of production companies (a good 6%).

VACANCY REMAINS AT MODERATE LEVEL

Compared with the previous year, the vacancy volume increased only slightly by just under 4% to 164,000 m². The situation is different in the sub-segment of modern vacancies. These have increased by around 65% to 61,000 m² due to the expiry of a number of major contracts. From a market perspective, this expansion in modern supply is to be welcomed, as only 37% of total vacancies are attributable to the modern category. Overall, the supply/demand ratio is expected to remain balanced, which is also underlined by the unchanged moderate vacancy rate of just 4.2%.

Major contracts

Sub-market	Company	m²
2.1	ICT firms	18,500
3.5	RB Leipzig	7,000
3.1	HealthCare Innovations	4,200
3.4	Other services	3,400
2.5	Other services	2,300
4.2	ICT firms	2,100

Trends in important market indicators

	Q1-3 2022	Q1-3 2023	Trend remaining year
Take-up	101,000 m²	98,000 m²	↗
Vacant space	158,000 m²	164,000 m²	→
Space under construction (total)	200,000 m²	130,000 m²	↘
Space under construction (available)	81,000 m²	84,000 m²	→
Top rent	18.00 €/m²	18.50 €/m²	→

NOTICEABLE DECLINE IN CONSTRUCTION ACTIVITY

After a significant increase in construction activity over the past two years, the last twelve months have seen a noticeable decline in construction activity - by 35% to the current level of 130,000 m². Of this, 84,000 m² (+4%) is still available to the rental market. This corresponds to just under two thirds of the current construction volume. Positively, almost 70% of the space still available is being built in the particularly preferred office market zones of City and Graphisches Viertel/Prager Straße. The increase in supply is therefore primarily taking place in the high-quality inner city locations preferred by users.

RENTS CURRENTLY MOVING SIDEWAYS

Rents have risen sharply in recent years, but the current trend is more of a sideways movement. Although the prime rent increased by almost 3% year-on-year, it has remained stable in recent months. The average rent, which has risen by around 1% since Q3 2022, is currently unchanged as well.

OUTLOOK

Against the background of existing searches, it can be assumed that demand will remain brisk in the final quarter of the current year. The forecasted take-up for the year as a whole is therefore likely to be around the same level as the ten-year average at around 130,000 m², which means that Leipzig will perform noticeably better than the majority of the major German office locations. Vacancy is likely to increase somewhat in connection with construction completions, whereas construction activity will continue to decline. Rental prices are expected to stabilize at their current level by the end of the year.

Key indicators Q1-3 2023

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	Q1-3 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	6,800	9,000	2,200	0	30,400	28,600	37,600	4,500
2	Centre Fringe/ Centre Relief Area	11.00	- 17.50	41,200	54,200	27,700	800	41,700	29,700	83,900	139,700
3	Subcentres	9.50	- 15.00	39,500	90,400	28,000	0	50,900	20,700	111,100	383,700
4	Periphery		9.00	10,500	10,400	3,100	0	7,000	5,000	15,400	6,100
	Total			98,000	164,000	61,000	800	130,000	84,000	248,000	534,000

* 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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