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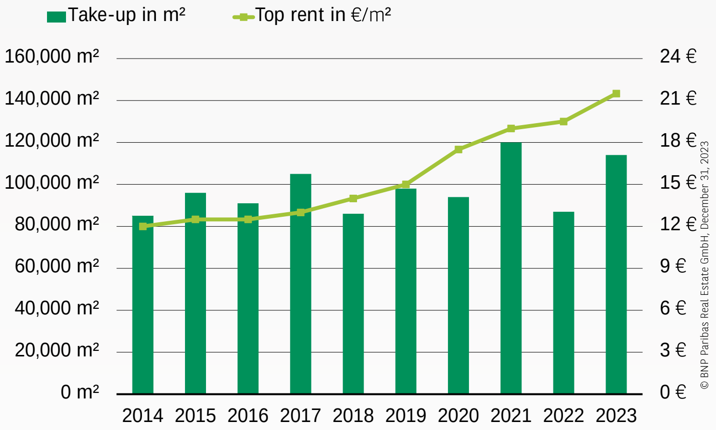
RESEARCH

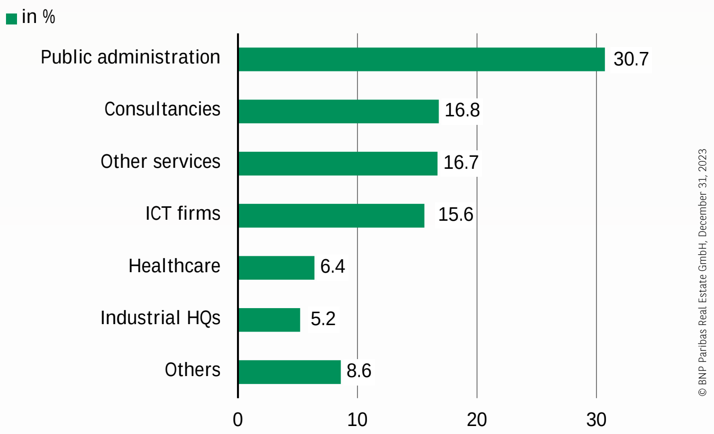
At a Glance Q4 2023

OFFICE MARKET DRESDEN

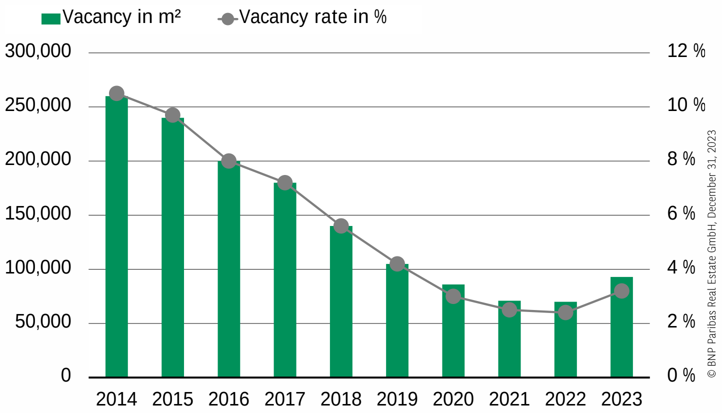
Development of take-up and top rents



Take-up by sector 2023



Development of vacant space



GOOD RESULT DESPITE DIFFICULT MARKET ENVIRONMENT

Despite the challenging market conditions, Dresden's office market remained resilient in 2023. Overall, the state capital of Saxony recorded a take-up of 114,000 m² by the end of the year, achieving the second-best result in the last ten years. Only in 2021 an even higher take-up of 120,000 m² was generated on the Dresden market. This represents an increase of around 31% compared to the previous year, and the long-term average was also exceeded by almost 17%. The letting activity in the small and medium-sized space segment up to 5,000 m² was particularly impressive. Especially noteworthy is the category between 2,000 and 5,000 m² with a good 23% or around 26,000 m² of take-up. Notably, TÜV SÜD let 4,300 m² in the southern Centre Fringe/University District submarket, which was the second-largest letting. In the large-area segment with over 10,000 m² of rental space, the city centre location recorded almost 22,000 m² of take-up (19% pro rata) due to the letting concluded by the state capital of Dresden. Overall, more than half of the take-up (56,200 m²) was accounted within the city centre.

PUBLIC ADMINISTRATION REMAINS AT THE TOP

Public administration accounted for a large proportion of take-up in 2023, underlining the continued high demand for space from the public sector and research. The market share of the public sector amounts to around 31%, placing it at the very top. One of the main reasons for this strong result is the aforementioned large letting by the City of Dresden in a sought-after city center location. Consulting companies (17,700 m²) and other services (17,500 m²) follow with just under 17% each. Information and communications companies also contributed to the market with a double-digit share of around 16%.

INCREASE IN VACANCY DUE TO BUILDING COMPLETIONS

In 2023, the vacancy volume increased for the first time in over 10 years, totalling 93,000 m², which represents a year-on-year increase of almost 33%. This rise of 23,000 m² is mainly due to building completions throughout the market area and the resulting available space throughout 2023. However, the vacancy rate remains below the fluctuation reserve of 5%, standing at just 3.2%, which is also a very low rate in a nationwide comparison. The demand for modern office space remains high, which implies that the supply (only 13% of the total vacancy) to demand ratio remains tight.

Major contracts

Sub-market	Company	m²
1.1	Landeshauptstadt Dresden	21,800
2.2	TÜV SÜD	4,300
2.6	Exyte Central Europe	3,400
1.1	KPMG	3,200
1.1	ADP Employer Services	2,600
1.1	Barkhausen Institut	2,200

Trends in important market indicators

	2022	2023	Trend 2024
Take-up	87,000 m²	114,000 m²	→
Vacant space	70,000 m²	93,000 m²	↗
Space under construction (total)	135,000 m²	120,000 m²	↘
Space under construction (available)	64,500 m²	50,000 m²	↘
Top rent	19.50 €/m²	21.50 €/m²	↗

SLIGHT DECLINE IN CONSTRUCTION ACTIVITY

Dresden is currently registering a good 120,000 m² of space under construction, which corresponds to a year-on-year decline of around 11%. Of this, only just under 50,000 m² - less than half - is currently available to the letting market. The pre-letting rate stands at a high 58%, reflecting the demand for new-build space on the Dresden market. In a nationwide comparison, Dresden therefore records a high rate. The majority of the space under construction is located in the sought-after City Center (52,400 m²), which is preferred by tenants, and in the southern Centre Fringe/University District submarket (27,500 m²).

RENTS CONTINUE TO RISE

The shortage of supply, particularly in the modern segment, is reflected in the rental price development. The prime rent achieved for modern space in the City Center stands at €21.50/m² at the end of the year, which corresponds to an increase of a good 10% since the end of 2022. Consequently, it is above the €20 mark for the first time. The usually more volatile average rent also reported a further increase and currently stands at €13.20/m² (+9% year-on-year), exceeding the €13 mark for the first time.

OUTLOOK

The Dresden office market experienced good letting momentum in 2023, resulting in an above-average result at the end of the year. The economic engine is likely to restart in 2024 and slowly gain momentum, so that the overall positive market sentiment in Dresden is expected to continue in 2024 making take-up in line with the long-term average realistic from today's perspective. Due to the continuing shortage of supply combined with high demand, especially for modern space, rents are likely to increase further at the peak and on average.

Key indicators 2023

		Top rent* (€/m²)			Take-up (m²)	Vacant space (m²)	Space under construction (m²)		Space on offer (m²)	
		from		to	2023	total	total	available	available	projected
Submarkets**		1			2	3	4	5	6 = (3 + 5)	7
1	City									
1.1	City			21.50	60,500	27,600	52,400	10,300	37,900	30,500
2	Centre fringe	13.00	-	16.00	34,400	36,200	52,100	39,700	75,900	37,000
3	Subcentres	9.50	-	14.00	8,500	19,000	7,700	0	19,000	7,500
4	Periphery			12.50	10,600	10,200	7,800	0	10,200	0
	Total				114,000	93,000	120,000	50,000	143,000	75,000

* The top rent given applies to a market segment of 3-5 % in each case.
** The office market zone map can be found on our homepage

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