At a Glance

OFFICE MARKET GERMANY

Q1 2014

VERY BRISK START TO THE YEAR

In the first quarter, the office markets in Germany were already exhibiting considerable momentum. This is somewhat surprising because there is normally a certain time-lag between an upturn in the general economy and increased take-up in office markets. What also needs to be considered, however, is that the result was positively influenced by a number of major deals hanging over from 2013. At around 695,000 m², first-quarter take-up was not only 16 % more than in the same period last year; it was also the second-best result in the last ten years. While Essen (27,000 m²) saw take-up fall against an exceptional prior-year result and Hamburg (107,000 m²) only produced a figure on a par with last year, all of the other cities registered increases. Although the surge was primarily influenced by major leases, this is a basically positive development.

MUNICH LEADS THE FIELD OF MAJOR MARKETS

The take-up table was again topped by Munich with 157,000 m² (+2 %). It was followed by Berlin with 144,000 m² (+65.5 %) and Frankfurt with 83,000 m² in the gif-defined area (+51 %) and 94,000 m² in the overall market region (+65 %). Both of these locations profited from a relatively high proportion of major leases over 10,000 m², after registering no contracts at all in this class in the first quarter of 2013. That also explains the sharp percentage rise. Take-up figures also rose in Düsseldorf, to 76,000 m² (+6 %), Cologne, to 64,000 m² (+12 %) and Leipzig, to 26,000 m² (+44 %). In Essen, however, take-up fell to 27,000 m² (-40 %).

NOTICEABLE UPTURN IN MAJOR CONTRACTS

Whereas in the first quarter last year a number of cities had registered very few or no major deals, at the beginning of 2014 that market segment rallied. Across all the markets, leases for premises over 5,000 m² accounted for more than one-third of take-up; last year the figure was just 24 %. Remarkably, all the major markets except Düsseldorf profited from this trend. The take-up shares were highest in Munich (44 %) and Hamburg (43 %) but major deals also accounted for substantial slices of turnover in Frankfurt (35 %), Cologne (34 %) and Berlin (33 %). Market activity was also brisk in all the other size categories, so the positive trend is buoyed by broad-based demand.
FURTHER FALLS IN VACANCY
Over the past twelve months, the volume of vacant premises has continued to decline. Across all the markets, it now stands at around 7.15 million m², which is nearly 4 % less than at this point last year. At the same time, it is the lowest vacancy volume for ten years. Since the beginning of the year, however, figures have stabilised at their previous level. The sharpest downturns were noted in Leipzig (-8 %), in Hamburg and Düsseldorf (around -6 % each), and in Cologne with a fall of more than 5 %. Modern-specification premises, which attract the lion’s share of demand, account for less than 32 % of total vacancy.

PRIME RENTS MODERATELY UP
In comparison to the first quarter of 2013, prime rents increased moderately by nearly 3 %. With the exception of Cologne, a positive trend was registered in all markets. The upturn was particularly dynamic in Düsseldorf (nearly 6 %) but increases of around 4 % were also seen in Hamburg, Leipzig and Essen. However, in the first quarter of this year, prime rents stabilised, except in Berlin (+2 %).

OUTLOOK
After this successful start, 2014 promises to be a good year for office markets. With the economy gathering pace as the year progresses, the good demand already in evidence should strengthen even more. So over the year as a whole, office take-up is likely to significantly exceed the prior-year figure. Vacancy reduction is now well advanced and any further downturns will probably be minor and isolated. In terms of rental prices, there are good reasons to assume that rents will be pushed up by foreseeable demand, especially in the second half of the year.