SOLID START DESPITE LACK OF LARGE CONTRACTS

With take-up of 20,000 m² in the first quarter of 2017, the Leipzig office premises market posted a good performance close to the 10-year average. Even though the result represented a slight year-on-year fall (-9 %), it was the fourth time in a row that the 20,000-m² mark was reached. Take-up was fuelled by great dynamism in the small-unit segment of up to 1,000 m², which accounted for all of 75 % of the total. On the other hand, no contracts of over 5,000 m² were registered; in a relatively small market like Leipzig, such contracts would impact appreciably on the aggregate result. This makes the buoyant market activity, which focused above all on the City Centre and on Graphisches Viertel/Prager Strasse, all the more pleasing. Significant turnover figures were also achieved by Leipzig Northeast and Leipzig West, which is where the two biggest new leases of the first three months were posted: ClaimsControlling (2,200 m²) and Pack & Carry (1,500 m²).

OTHER SERVICES WELL OUT IN FRONT

In this snapshot of the Leipzig office market, a clear-cut leader in the business-sector ranking stands out: the collective category of other services, always one of the biggest sources of demand, easily heads the field with a share of over 47 %. Information and communications technology firms were the only other sector with a double-digit slice (just under 14 %); this was thanks for instance to the Invision AG lease (1,200 m²). Then came healthcare, consultancies, industrial headquarters and insurances, which together generated slightly more than one quarter of all turnover.

MODERN VACANT SPACE SCARCE

After falling steadily in recent years, vacancy has now stabilised, and in fact expanded marginally year-on-year by 1,000 m² to 333,000 m². So the vacancy rate is again 8.9 %. The volume of modern empty premises, on the other hand, has shrunk appreciably in the past twelve months, by 28 % to 57,000 m², and thus represents only just over 17 % of total vacancy - which is very low by nationwide standards. Most of the empty space is located in the City Centre (60,000 m²) and in Graphisches Viertel/Prager Strasse (44,200 m²), which is also where the biggest stocks of the particularly favoured category of modern vacant premises are to be found (9,500 m²). Otherwise, such premises are spread fairly evenly across all the office market zones.
AT A GLANCE - OFFICE MARKET LEIPZIG - Q1 2017

LITTLE CHANGE IN SPACE UNDER CONSTRUCTION
At 31,000 m², the volume of space under construction is just slightly above the prior-year figure. Around one third (10,000 m²) is located in Graphisches Viertel/Prager Strasse, but only about 1,000 m² of this is still available to the rental market – the rest is either prelet or destined for owner-occupation. Of the ready-to-rent space under construction – which has fallen by a modest 2,000 m² year-on-year to 14,000 m² – the City Centre and Leipzig North/Northwest/Eutritzsch each account for 4,000 m². Since there has been little change in either vacancy or available space under construction, the total available supply – the sum of these factors – is much the same as a year ago, with a total of 347,000 m².

TOP AND AVERAGE RENTS STABLE
Rental prices in Leipzig have largely remained stable. The prime rent, obtained for modern premises in the City Centre, has stayed at the prior-year level of 13.00 €/m². The average rent, which stands at just 7.60 €/m² – extremely low by nationwide standards – has also hardly changed at all (-4 %). In the individual office market zones, there were just some marginal shifts in average rents, whereas the top rents in some areas were able to climb somewhat.

VERY GOOD RESULT STILL FEASIBLE
The Leipzig office market got off to a good start in 2017 and still has a realistic chance of passing the 100,000-m² mark. But this will require some more sizeable contracts – which in turn calls for corresponding offers in the favoured areas. The remaining months of the year are set to produce a further reduction in vacancy. The prime rent should firm up at its present level.