TOP 7 OFFICE MARKETS Q1-4/2022

On average smaller but better appointed



2023-01-02, Hamburg. In Germany’s top 7 cities the office suites that companies rented or occupied in their own premises in 2022 were on average smaller and more expensive than in 2021. Overall, 3.47m m² of space was taken up in the top 7 cities – 9 % more than in 2021. *“As companies, especially the large ones, became more confident in terms of the pandemic and their future prospects, they decided to act on their plans to move. In 2022 Germany’s top 7 cities noted twice as many agreements for more than 20,000 square metres of space than in 2021. In many cases large companies reduced the amount of space occupied while opting for top locations. In view of the war in Ukraine and rising rates of inflation, however, a degree of uncertainty returned. Unlike the strong second and third quarters, take-up of space in both the first and fourth quarters was thus somewhat muted,”* says **Andreas Rehberg**, spokesperson for German Property Partners (GPP). The commercial property network consists of Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate.

Economic downturn is noticeable

Whereas, without exception, take-up of space in all top 7 cities was higher year on year in the first nine months of 2022, every city’s fourth quarter results fell below those seen in the same period a year before. GPP calculations show that the year on year comparisons range from -12 % (Frankfurt) to +91 % (Stuttgart). That Stuttgart’s result almost doubled was primarily due to the particularly high proportion of owner-occupiers (42 %). Among these was Allianz insurance, whose 65,000 m² of space represented the biggest contract of the year. In Frankfurt, the city on the Main, a striking degree of caution led to an unusual lack of agreements for large amounts of space. Here the largest-volume rental agreement in the 4th quarter was the modest 4,500 m² rented by Mayer Brown Deutschland in the “Global Tower”. Take-up of space in Berlin, Cologne and Düsseldorf was almost identical to the 4th-quarter figures for 2021, in Munich and Hamburg the same-quarter comparison was higher by a double-digit percentage. In the context of the largest overall rental agreement in the 4th quarter, the Berlin School of Business and Innovation took 17,000 m² of office space at Karl-Marx-Strasse 97-99, Berlin. The biggest owner-occupier transaction between October and December involved 12,900 m² in a property on the Derendorfer Allee, Düsseldorf. The new occupant is BLB Bau- und Liegenschaftsbetrieb NRW, the state of North Rhine-Westphalia’s real estate management agency. At the end of 2022 the owner-occupier rate in the top 7 cities had risen to 11.0 % from 7.4 % a year before.

Demanding the best

Both premium and average rents trended upwards in each of Germany’s top 7 cities. In terms of key parameters, GPP recorded new highs in Stuttgart, Düsseldorf and Berlin. In Stuttgart, state capital of Baden-Württemberg, the premium rent shot up by a staggering 32 % to €33.00/m²/month. Here, higher costs of construction meant that new-built offices in the city centre were commanding between €30.00 and €35.00/m²/month. *“Companies now expect a great deal from their location: a top site, instantly recognizable architectural design, superior space that adapts to differing work modes, sustainable outfitting and operation. These criteria are most likely to be met by new-builds or buildings of comparable standard for which rents are correspondingly high,”* says **Rehberg**. In the short to medium term, the rents for existing properties which do not meet these demands are expected to stagnate or even decrease. By contrast, existing properties with a superior fit-out will be able to command appreciable price increases and stay in business.

More space standing empty in sub-markets

Of the total 94.53m m² of office space in Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich, 5.1 % was available to new occupants within a short space of time (end of 2021: 4.7 %). In Frankfurt and Cologne the vacancy rate continued to decline, but in all other cities it rose. Once more the lowest vacancy rate was in Cologne at 2.8 %. In Düsseldorf the large volume of sub-let space (72,000 m²) was the main reason for the highest vacancy rate of any top 7 city at 8.0 %, followed by Frankfurt at 7.8 %. The volume of available space grew most in Stuttgart, with +36 %, and Berlin, with +35 %. *“Large demand for space in top locations reduces take-up of space in the sub-markets on the periphery, where the amount of space standing empty has already increased considerably and is likely to climb still higher in 2023,”* remarks **Rehberg**. *“Here, owners are well-advised to develop new concepts and implement ESG-related measures, in order to make their buildings more interesting for tenants. In many parts this will probably need the cooperation of political bodies and urban development departments in order to revitalize entire non-central districts.”*

Client demands promote new construction activity

The changed economic environment led to the postponement of various new-build projects. This development, in conjunction with high demand for new-build offices in the top 7 cities, will preserve the level of completions in 2023 and 2024 at a mere 4,000 m² below the totals seen in 2021 and 2022. Whereas in Hamburg some 71 % of the new space scheduled for completion over the next two years is already under contract, only 26 % of space in Stuttgart and 27 % of that in Frankfurt has been spoken for. The pre-let ratio in the top 7 cities has dropped from 51 % to 45 %. **Rehberg** remarks that, “*In summary, one can say that firms looking for large amounts of space were especially active in early 2022. Towards the end of 2022 large office suites were no longer in demand everywhere. Some cities will make a relatively brisk start to the new year because agreements are in the pipeline. The present situation is highly complicated and it is thus hard to make any reliable forecasts beyond the first quarter.”*

**Major known agreements for 20,000 m² or more | Top 7 cities | Q1-4 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| **City** | **Project/property** | **Tenant/owner-occupier** | **Rental area** (ca. m²) |
| STU | “Allianz Park”, Hessbrühlstrasse | Allianz **Owner-occupier** | 65,000 |
| CGN | Site north of the city centre | Public institution | 44,800 |
| BER | Otto-Braun-Strasse 70-72 | BIM **Owner-occupier** | 40,000 |
| HAM | “Hanse Center”, Wikingerweg 1, Normannenweg 25, 27, 29, Eiffestrasse 26, 28, 30 | Dataport | 40,000 |
| MUC | “Elementum”, Bayerstrasse 49-53, Paul-Heyse-Strasse 7 | Personio | 40,000 |
| CGN | Leonhard-Tietz-Strasse 1 | Cologne municipality | 38,800 |
| HAM | “Deutschlandhaus”, Dammtorstrasse 1 | Hamburger Sparkasse | 30,800 |
| FFM | Ludwig-Erhard Strasse 7, Eschborn | Deutsche Gesellschaft für Internationale Zusammenarbeit, giz (Fed. int. aid org.) **Owner occupier** | 28,000 |
| BER | “QH Core” / “QH Spring”, Heidestrasse 13 | Volkswagen Software | 23,000 |
| STU | “W11”, Weissacher Strasse 11 | Komm.ONE | 21,500 |
| STU | “Atlanta Business Center”, Vaihinger Strasse 131 | Ed. Züblin **Owner-occupier** | 21,400 |
| MUC | “aer”, Fritz-Schäffer-Strasse 9 | Bosch Building Technologies | 20,000 |

Transactions occurring in the quarter covered by this report are highlighted. Source: German Property Partners (GPP)

**Top 7 cities | Q1-4 2022**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **HAM** | **BER** | **DUS** | **CGN** | **FFM** | **STU** | **MUC** | **Top 7** |
| **Take-up of space**in m² | 560,000 | 820,000 | 279,200 | 315,000 | 428,100 | 300,000 | 763,000 | **3,465,300** |
| **Change**against prior yr in % | +14 | +1 | -1 | ±0 | -12 | +91 | +21 | **+9** |
| **Premium rent**in €/m²/month | 33.50 | 42.00 | 34.50 | 27.90 | 46.00 | 33.00 | 45.50 | **-** |
| **Average rent**in €/m²/month | 21.00 | 30.20 | 17.75 | 18.50 | 23.80 | 18.30 | 24.95 | **-** |
| **Total stock of office space**in millions m² | 14.14 | 21.20 | 7.43 | 8.15 | 11.70 | 8.41 | 23.50 | **94.53** |
| **Vacant space**incl. sub-let space [m²] | 561,200 | 930,000 | 591,000 | 230,000 | 915,600 | 364,000 | 1,200,000 | **4,791,800** |
| **Vacancy rate**incl. sub-let space [%] | 4.0 | 4.4 | 8.0 | 2.8 | 7.8 | 4.3 | 5.1 | **5.1** |
| **Completions 2023 + 2024** in m² | 470,000 | 1,047,000 | 330,200 | 175,000 | 661,400 | 170,100 | 600,000 | **3,454,000** |
| **Pre-let ratios 2023 + 2024** in % | 71 | 43 | 33 | 57 | 27 | 26 | 55 | **45** |

 Source: German Property Partners (GPP)

**ABOUT GERMAN PROPERTY PARTNERS**

[German Property Partners](https://www.germanpropertypartners.de/de/) is a national network of property service providers; they are all leaders in their local markets. Membership now consists of Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate. The network is remarkable for the members’ intimate knowledge of local markets, the experience of the partner firms’ long-standing property consultants and the personal dedication of the owners and directors.

In Germany’s top 7 cities - Hamburg, Berlin, Düsseldorf, Cologne | Bonn, Frankfurt, Stuttgart and Munich - network partners have their own offices offering services in the field of property investment, commercial letting, corporate real estate management (CREM), property valuation and research. Rounding off the range of skills are banking, finance and administration services.

Currently, more than 420 property specialists work for the network. Nationwide, German Property Partners brokered lets in 2021 involving 640,000 m² of commercial property, and managed investment transactions totalling €2.6bn.

**www.germanpropertypartners.de/en**

German Property Partners’ **data protection declaration** is available on the GPP website: [www.germanpropertypartners.de/datenschutz](https://www.germanpropertypartners.de/datenschutz). If in future you would prefer not to receive any more information from the GPP press office, please e-mail us at presse@germanpropertypartners.de quoting as reference "Abmeldung aus Presseverteiler” / “Unsubscribe from press mailing list”.